DIABLO WATER DISTRICT

Public service is at the heart of everything we do.

Board Of Directors:
Marilyn M. Tiernan – *President*
Jason Shaw – *Vice President*
Paul Seger | Joe Kovalick | Conan Moats

General Manager: Dan Muelrath
General Counsel: Wes Miliband
Board Secretary: Kait Knight

AGENDA

The Special Meeting of the Board of Directors of Diablo Water District will be held on December 10, 2025 at 2:30 pm at the District's Corporation Yard, 3990 Main Street, Oakley, California. This meeting is being conducted in person and via webinar. Members of the public and District staff may attend the meeting via conference call / web using the credentials below. Members of the public will continue to have the opportunity to provide public input via the webinar or phone features.

Dial in Number: 1-949-346-1487

Conference ID: 293 557 172#

Or

Web Option: https://www.diablowater.org/web-meeting-portal

Check your browsers' functionality or download the Microsoft Teams App prior to the meeting.

The District's agendas and supporting documents are available on the District's website: www.diablowater.org, or by calling Kait Knight at (925) 625-6587. A fee may be charged for copies.

If you have a special accommodation needs to attend the meeting, please provide at least two (2) business days' notice prior to the meeting by calling Kait Knight at (925) 625-6587.

1. **Call to Order, Roll Call, and Pledge of Allegiance.**

2. **Public Input.**
   Anyone present may address the Board of Directors on any subject within the jurisdiction of Diablo Water District. If the subject item is on this Agenda, please hold public comment until the appropriate item. **All virtual attendees will remain on mute until called upon to address the Board.**

Resolution of Appreciation

3. **Christine Belleci Resolution.**

Action Items

4. Consent Calendar.

It is recommended by the General Manager that these items, which are expected to be routine in nature and without controversy, be received and acted upon by the Board without discussion. If any Board member or interested party requests that an item be removed from the Consent Calendar for discussion, it will be considered separately. *The consent calendar may be approved by a single motion to approve, followed by a second and then a call for vote.*

A. Minutes of the Special Meeting of November 10, 2025.

Staff Recommendation: Approve.

5. Sale of Water Revenue Certificates of Participation.

Staff Recommendation: Adopt Resolution No. 2025-18 approving the execution, delivery and sale of Water Revenue Certificates of Participation in the principal amount not to exceed $6,000,000 to finance the acquisition and construction of improvements to the water system and approving the execution and delivery of an Installment Sale Agreement, an Official Statement, a Continuing Disclosure Certificate and a Certificate Purchase Contract, and approving other related documents and actions.

6. Urban Water Management Plan Contract Award.

Staff Recommendation: Authorize the General Manager to execute a Task Order with CDM Smith to prepare the District's 2025 Urban Water Management Plan (UWMP) and related submittals in an amount no to exceed $138,808, plus a 10% contingency.

7. Financial Reports.

Staff Recommendation: Approve warrant register 2025-11, ACH and wire transactions for November 2025 and monthly financial report for October 2025.

8. Acceptance of Annual Audit for Fiscal Year Ending June 30, 2025.

Staff Recommendation: Accept the audit report.

9. Distinguished Budget Presentation Award – GFOA.

Staff Recommendation: Receive.

10. Income Assistance Program with Consideration for Adding Non-Profits.

Staff Recommendation: Consider an expansion of the Monthly Service Charge Discount Program to allow participation by qualifying nonprofit organizations operating in commercially zoned areas.

11. Directors' Regulation 101 Potential Amendment to the Three-Month Period for Officer and Committee Positions.

Staff Recommendation: Discuss potential amendments to the recently updated Regulation 101 regarding the three-month period for Officer and Committee Positions. Provide direction as appropriate, and if an amendment is duly approved by the Board, then adopt Resolution No. 2025-19 to incorporate such amendment.

12. District Officers and Committee Positions.

Staff Recommendation: Perform confirmations or reassignments in accordance with Regulation 101 in its current form as of this agenda item.

Discussion Items

13. General Manager's Report.

- Water Supply Charts

14. District Engineer's Report.

15. District Counsel's Report.

16. Directors' Reports.

- Representative verbal reports.
- Other items as needed.

17. Future Agenda Items.

- Preliminary list of items for the next two months.
- Other items being tracked and awaiting a scheduled date.

18. Next Meetings of the Board of Directors.

- January 12, 2026 Special Meeting (Strategic Planning) – 1:00 pm
- January 28, 2026 Regular Meeting – 6:30 pm
- February 25, 2026 Regular Meeting – 6:30 pm

19. Adjournment.

Posted this 4th day of December 2025.

Dan Muelrath

Dan Muelrath, General Manager

RESOLUTION OF APPRECIATION
FOR
CHRISTINE BELLECI

WHEREAS, Christine Belleci began her career with Diablo Water District in July 2007 as a Customer Service Representative and, through her dedication, skill, and leadership, was successively promoted to Administrative Assistant, Administrative Analyst, Management Program Analyst, and ultimately Forward Planning Manager; and

WHEREAS, Christine has devoted 18½ years of distinguished service to the District, contributing to significant organizational growth, technological advancement, and operational improvements; and

WHEREAS, in 2008, Christine served as the Project Manager responsible for bringing internet access and email capabilities to all District employees, marking a major modernization milestone; and

WHEREAS, in 2009, she played a key role in the development and establishment of the District's California Employers' Retiree Benefit Trust (CERBT) to support long-term retiree benefit obligations; and

WHEREAS, in 2010, Christine served as the Project Manager for the implementation of the District's Advanced Metering Infrastructure (AMI) Meter Reading Program with Sensus, significantly enhancing metering efficiency and customer service; and

WHEREAS, in 2014, she assisted in the design, construction, and relocation to the District's Administration Office Building, contributing to improved work environment and operational functionality; and

WHEREAS, during the COVID-19 pandemic, Christine played an essential role in enabling and supporting remote operations by equipping employees with the tools and systems necessary to continue serving the public safely and effectively; and

WHEREAS, throughout her tenure, Christine provided IT support for all District employees, introduced mobile devices and supported field and remote staff in adopting modern technology platforms in the cloud while implementing cybersecurity protocols to protect the District and its customers; and

WHEREAS, Christine was a major contributor to the District's updates of critical long-range planning documents, including the Urban Water Management Plan, Facilities Plan, and Hazard Mitigation Plan; and

WHEREAS, she was the facilitator for the District's risk transfer program, and safety programs, promoting organizational risk reduction and employee safety; and

WHEREAS, Christine provided nearly 14 years of administrative support to the General Manager and the Board of Directors, assisting with the development, revision, and maintenance of District regulations and governance documents; and

WHEREAS, she was accountable for ensuring compliance with County and State reporting requirements, providing accurate and timely submittals essential to District operations; and

WHEREAS, for 15 years, Christine oversaw the District's Human Resources responsibilities, supporting employee onboarding, benefits administration, and personnel management; and

WHEREAS, Christine's leadership, professionalism, collaborative spirit, and profound institutional knowledge have left a lasting impact on Diablo Water District, its employees, and the community it serves.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Diablo Water District hereby expresses its deepest appreciation to Christine Belleci for 18½ years of exceptional service, innovation, and dedication; and that the Board extends its sincere gratitude and best wishes to Christine for continued success and fulfillment in all future endeavors.

President	Vice President
Director	Director
Director	General Manager

DIABLO WATER DISTRICT
December 10, 2025 Board Meeting
Item Number 4

TO: Each Director

FROM: Dan Muelrath

SUBJECT: Consent Calendar.

It is recommended by the General Manager that these items, which are expected to be routine in nature and without controversy, be received and acted upon by the Board without discussion. If any Board member or interested party requests that an item be removed from the Consent Calendar for discussion, it will be considered separately.

The consent calendar may be approved by a single motion to approve, followed by a second, and then a call for a vote.

A. Minutes of the Special Meeting of November 19, 2025.
Staff Recommendation: Approve.

RECOMMENDATION:

Approve.

Dan Muelrath

Dan Muelrath
General Manager

Integrity

Board Of Directors:
Marilyn M. Tiernan – *President*
Jason Shaw – *Vice President*
Paul Seger | Joe Kovalick | Conan Moats

General Manager: Dan Muelrath
General Counsel: Wes Miliband
Board Secretary: Kait Knight

MINUTES OF THE SPECIAL MEETING
OF THE BOARD OF DIRECTORS OF
DIABLO WATER DISTRICT
HELD ON NOVEMBER 19, 2025

The Special Meeting of the Board of Directors of Diablo Water District was held on November 19, 2025, at 2:30 pm at the District's Corporation Yard, 3990 Main Street, Oakley, California and via conference call / web as noticed in the posted agenda.

1. Call to Order and Roll Call and Pledge of Allegiance.

The Special Meeting of the Board of Directors of Diablo Water District (District) was called to order by President Tiernan at 2:32 p.m. on November 19, 2025.

Directors Present:	Tiernan, Shaw, Seger, Kovalick, Moats
Staff Present:	Dan Muelrath, Kait Knight, Jennifer McCoy
General Counsel:	Wes Miliband (Miliband Water Law)
Others Present:	Bill Brick (CDM Smith), Andria Loutsch (CDM Smith), Dawn Morrow (Ironhouse Sanitary District), Juan Galvan (Anzel Galvan LLP), Wing-See Fox (Urban Futures, Inc.), additional District Staff, Members of the General Public

2. Public Input.

Anyone present may address the Board of Directors on any subject within the jurisdiction of Diablo Water District. If the subject item is on this Agenda, please hold public comment until the appropriate item.

Dawn Morrow, Ironhouse Sanitary District, commended Staff on the District's new website.

Action Items

3. Consent Calendar.

It is recommended by the General Manager that these items, which are expected to be routine in nature and without controversy, be received and acted upon by the Board without discussion. If any Board member or interested party requests that an item be removed from the Consent Calendar for discussion, it will be considered separately. *The consent calendar may be approved by a single motion to approve, followed by a second and then a call for a vote.*

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A. Minutes of the Regular Meeting of October 22, 2025.
Staff Recommendation: Approve.

B. Update of District Regulations No. 112, 121, 124 and 128.

Staff Recommendation: Adopt Resolution No. 2025-17 amending Regulation Numbers 112, 121, 124 and 128.

It was moved by Vice President Shaw, seconded by President Tiernan, and approved by the following vote to approve the consent calendar.

AYES: Moats, Seger, Kovalick, Shaw, Tiernan
NOES: None
ABSENT: None

4. Financial Reports.

Staff Recommendation: Approve warrant register 2025-10, ACH and wire transactions for October 2025 and monthly financial report for September 2025.

It was moved by Director Seger, seconded by Vice President Shaw, and approved by the following vote to approve warrant register 2025-10, ACH and wire transactions for October 2025 and monthly financial report for September 2025.

AYES: Moats, Seger, Kovalick, Shaw, Tiernan
NOES: None
ABSENT: None

5. Knightsen Well Site Investigation Contract Award.

Staff Recommendation: Authorize the General Manager to:
1. Execute Task Order No. 1 with Luhdorff & Scalmanini, Consulting Engineers (LSCE) in the amount of $227,620, plus 10% to complete a groundwater site investigation, nested monitoring well, and preliminary well design for the District's Knightsen property.

2. File a CEQA Notice of Exemption for the monitoring well.

It was moved by President Tiernan, seconded by Director Moats, and approved by the following vote to authorize the General Manager to execute Task Order No. 1 with Luhdorff & Scalmanini, Consulting Engineers (LSCE) in the amount of $227,620, plus 10% to complete a groundwater site investigation, nested monitoring well, and preliminary

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well design for the District's Knightsen property, and file a CEQA Notice of Exemption for the monitoring well.

AYES: Moats, Seger, Kovalick, Shaw, Tiernan
NOES: None
ABSENT: None

6. Purchase of District Vehicles.

Staff Recommendation: Authorize the General Manager to execute a purchase order with Sonora Ford in the amount of $381,664.08 for the procurement of four vehicles as outlined.

It was moved by Director Kovalick, seconded by President Tiernan, and approved by the following vote to authorize the General Manager to execute a purchase order with Sonora Ford in the amount of $381,664.08 for the procurement of four vehicles as outlined.

AYES: Moats, Seger, Kovalick, Shaw, Tiernan
NOES: None
ABSENT: None

7. District Officer and Committee Positions.

Staff Recommendation: Perform confirmations or reassignments.

The Board did not act on District officer positions and will bring it forward at a future meeting.

It was moved by Director Kovalick, seconded by President Tiernan, and approved by the following vote to appoint Director Moats as liaison for the Oakley Planning Commission.

AYES: Moats, Seger, Kovalick, Shaw, Tiernan
NOES: None
ABSENT: None

Discussion Items

8. 2026 Bond Issuance Update.

The Board received an update from Juan Galvan (Anzel Galvan LLP) and Wing-See Fox (Urban Futures, Inc.) on the Bond Issuance to prepare for adoption at the December Meeting.

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9. Urban Water Management Plan Overview.

The Board received an update from Bill Brick and Andria Loutsch (CDM Smith) on the timeline for the updated Urban Water Management Plan.

10. Regulation 125 Records Management Program Update.

The Board received an update from General Manager Muelrath on Regulation 125 and District records retention to be adopted at the December Meeting.

11. New Website Update.

The Board received an overview of the new District website and its accessibility features from Kait Knight, District & Community Relations Manager.

12. Future Agenda Items.

- Preliminary list of items for the next two months.
- Other items being tracked and awaiting a scheduled date.
- The following items were requested to be added to future agendas:
    - Regulation 101 update and officer/committee assignments
    - District cell phones for Directors
    - Monthly Service Charge Discount for non-profit commercial accounts
    - Task order for Urban Water Management Plan

13. Next Meetings of the Board of Directors.

- December 10, 2025 Special Meeting – 2:30 pm
- January 28, 2026 Regular Meeting – 6:30 pm
- February 25, 2026 Regular Meeting – 6:30 pm

Closed Session Items

14. Conference with Real Property Negotiations (Government Code § 54956.8)

Property Description: Jersey Island located in Contra Costa County
Negotiation: Diablo Water District General Manager Dan Muelrath and Jean-Marc Petit, Ironhouse/Reclamation District 830 Representative.
Under Negotiation: Terms and Price

It was moved by Vice President Shaw, seconded by President Tiernan, and approved by the following vote to approve the Jersey Island Purchase and Sale Agreement for $13.5

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million subject to contingencies and terms and conditions as set forth in the Agreement.

AYES: Moats, Seger, Shaw, Tiernan
NOES: Kovalick
ABSENT: None

It was moved by Director Moats, seconded by Director Seger, and approved by the following vote to form an Ad Hoc Committee for the Jersey Island transaction until that transaction is closed. Members of the committee were not nominated or approved by the Board, and it is an anticipated action for the December 10th meeting.

AYES: Moats, Seger, Kovalick, Shaw, Tiernan
NOES: None
ABSENT: None

Conference with Real Property Negotiations
(Government Code § 54956.8)

Property: 3760 Neroly Road, Oakley CA 94561
Negotiation: Diablo Water District General Manager Dan Muelrath and Contra Costa Water District Representative (to be determined)
Under Negotiation: Terms and Price

No reportable action.

15. Adjournment.

President Tiernan adjourned the meeting at 6:01 pm.

Kait Knight, Board Secretary

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DIABLO WATER DISTRICT
December 10, 2025 Board Meeting
Item Number 5

TO: Each Director

FROM: Dan Muelrath, General Manager

SUBJECT: Sale of Water Revenue Certificates of Participation.

Staff is recommending the District proceed with financing the acquisition and construction of certain improvements to the water system (the "Project") through the execution and delivery by the Trustee of Diablo Water District 2026 Water Revenue Certificates of Participation (Green Bonds) ("2026 COPs"). The Project is in furtherance of the District's carbon neutrality regulation by financing the installation of three emergency generators that use carbon-neutral fuels for facility locations at one production well site, the Corporation Yard, and the District's pumps located at the Randall-Bold Water Treatment Plant, solar arrays at Reservoir R2/R3 that are estimated to generate 600,000 kWh of carbon-free energy per year; a fueling system for a 2,000-gallon renewable diesel tank for the Corporation Yard, and seismic upgrades, which entail adding steel band retrofits to the District's 5 million-gallon steel reservoir.

The proposed structure of the 2026 COPs is detailed below:

- $5.5 million net proceeds for New Money Projects
- 15-Year Term (final maturity on January 1, 2041)
- 10-Year Call Option
- Level debt service

The proposed resolution approves the financing plan outlined above, appoints professionals to assist with the financing, and approves all documents and actions needed to authorize the execution and delivery of the 2026 COPs, including the following substantially final form financing documents together with any changes or additions deemed advisable and approved by the President or General Manager:

- **Installment Sale Agreement** (between the District and CSDA Finance Corporation): Provides for the sale and purchase of the improvements to the water system. District agrees to purchase the improvements through installment payments to be made from net revenues of the water system.
- **Trust Agreement** (among US Bank Trust Company, CSDA Finance Corporation, and the District): CSDA Finance Corporation assigns and transfers certain of its rights

under the Installment Sale Agreement to the Trustee. The Trust Agreement describes the source of payment and security for the 2026 COPs, payment and prepayment provisions, rights and duties of the Trustee, remedies upon payment of default, etc.

- Certificate Purchase Agreement (between the District and the underwriter (Oppenheimer)): Agreement between the issuer and the underwriter signed on the date of pricing; describes the terms and conditions of the sale of the 2026 COPs to the underwriter and contains pricing terms (i.e., interest rates, principal amounts, underwriter's discount, etc.).

- Preliminary Official Statement distributed to prospective purchasers of the 2026 COPs that describes the District, source of repayment and security for the 2026 COPs and the installment payments, and certain risks associated with the purchase of the 2026 COPs. The Preliminary Official statement must contain all facts material to the 2026 COPs and the District (with certain permitted exceptions to be completed in the final Official Statement) and must not omit any material facts.

The attached Preliminary Official Statement has been reviewed and approved for transmittal to the Board of Directors by the District's financing team. The distribution of the Preliminary Official Statement by the District is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the Preliminary Official Statement to include all facts that would be material to an investor in the Obligations. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the Obligations. If the Board of Directors concludes that the Preliminary Official Statement includes all facts that would be material to an investor in the Obligations, it must adopt a resolution that authorizes staff to execute a certificate to the effect that the Preliminary Official Statement has been "deemed final."

The Securities and Exchange Commission (the "SEC"), the agency with regulatory authority over the District's compliance with the federal securities laws, has issued guidance as to the duties of the Board of Directors with respect to its approval of the Preliminary Official Statement. In its "Report of Investigation in the Matter of County of Orange, California as it Relates to the Conduct of the Members of the Board of Supervisors" (Release No. 36761 / January 24, 1996) (the "Release"), the SEC indicated that if a member of the Board of Directors has knowledge of any facts or circumstances that an investor would want to know about prior to investing in the Obligations, whether relating to their repayment, tax-exempt status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the Preliminary Official Statement. In the Release, the SEC indicated that the steps that a member of the Board of Directors could take include becoming familiar with the Preliminary Official Statement and questioning staff and consultants about the disclosure of such facts.

- **Continuing Disclosure Certificate** is included as Appendix E of the Preliminary Official Statement that commits the District to providing certain annual reports and notices of listed events to investors in order to allow the underwriter to comply with federal securities laws.

The proposed resolution also approves a direct placement method of sale for the 2026 COPs if it produces a lower interest rate or is otherwise preferable to or more appropriate than a public offering of the 2026 COPs. Such an alternative is not likely to be pursued but offers flexibility in case of an unexpected event in the public market.

Based on recent market interest rates, an aggregate principal amount of $5.08 million 2026 COPs is expected to be sold. The true interest cost for the 2026 COPs is estimated to be approximately 3.38%, and average annual debt service is expected to be approximately $490,141 through January 1, 2041. In accordance with California Government Code Section 5852.1, good faith estimates are provided with respect to the 2026 COPs as Attachment 1.

If the proposed resolution is adopted by the Board of Directors, the sale of the 2026 COPs is expected to be completed on or about the week of January 12, 2026, with a delivery/closing date on or about January 29, 2026.

RECOMMENDATION:

Adopt Resolution No. 2025-18 approving the execution, delivery and sale of Water Revenue Certificates of Participation in the principal amount not to exceed $6,000,000 to finance the acquisition and construction of improvements to the water system and approving the execution and delivery of an Installment Sale Agreement, an Official Statement, a Continuing Disclosure Certificate and a Certificate Purchase Contract, and approving other related documents and actions.

Dan Muelrath

Dan Muelrath
General Manager

Attachments: Good Faith Estimates
Resolution No. 2025-18
Form of Installment Sale Agreement
Form of Trust Agreement
Form of Certificate of Purchase Agreement
Form of Preliminary Official Statement

ATTACHMENT 1

GOOD FAITH ESTIMATES

The good faith estimates set forth herein are provided in accordance with California Government Code Section 5852.1 Such good faith estimates have been provided to the District by Urban Futures, Inc. as municipal advisor to the District (the "Municipal Advisor"), each with respect to the 2026 Water Revenue Certificates of Participation ("2026 Certificates").

Principal Amount. The Municipal Advisor has informed the District that, based on the District's financing plan and current market conditions, its good faith estimate of the aggregate principal amount of the 2026 Certificates is $5,080,000 (the "Estimated Principal Amount").

True Interest Cost. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the 2026 Certificates is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the true interest cost of the 2026 Certificates, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the 2026 Certificates is 3.38%.

Finance Charge. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the 2026 Certificates is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the 2026 Certificates, which means the sum of all fees and charges paid to third parties (or costs associated with the 2026 Certificates), is $239,520.85.

Amount of Proceeds to be Received. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the 2026 Certificates is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received by the District for sale of the 2026 Certificates, less the finance charge of the 2026 Certificates, as estimated above, and any reserve fund funded with proceeds of the 2026 Certificates, is $5,500,000.

Total Payment Amount. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the 2026 Certificates is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all payments the District will make to pay debt service on the 2026 Certificates, plus the finance charge for the 2026 Certificates, as described above, not paid with the proceeds of the 2026 Certificates, calculated to the final maturity of the 2026 Certificates, is $7,313,994.44.

The foregoing estimates constitute good faith estimates only. The actual principal amount of the 2026 Certificates issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the sale of the 2026 Certificates being different than the date assumed for purposes of such estimates, (b) the actual principal amount of 2026 Certificates sold being different from the Estimated Principal Amount, (c) the actual amortization of the 2026 Certificates being different than the amortization assumed for

purposes of such estimates, (d) the actual market interest rates at the time of sale of the 2026 Certificates being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the District's financing plan, or a combination of such factors. The actual interest rates borne by the 2026 Certificates will depend on market interest rates at the time of sale thereof. The actual amortization of the 2026 Certificates will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the District.

Resolution No. 2025 – 18

A RESOLUTION OF THE BOARD OF DIRECTORS OF DIABLO WATER DISTRICT APPROVING THE EXECUTION, DELIVERY AND SALE OF WATER REVENUE CERTIFICATES OF PARTICIPATION IN THE PRINCIPAL AMOUNT NOT TO EXCEED $6,000,000 TO FINANCE THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS TO THE WATER SYSTEM, AND APPROVING THE EXECUTION AND DELIVERY OF AN INSTALLMENT SALE AGREEMENT, AN OFFICIAL STATEMENT, A CONTINUING DISCLOSURE CERTIFICATE, AND A CERTIFICATE PURCHASE AGREEMENT, AND APPROVING OTHER RELATED DOCUMENTS AND ACTIONS

WHEREAS, Diablo Water District (the "District") owns and operates facilities and property for the supply, treatment, storage and distribution of water within the service area of the District (the "Water System"); and

WHEREAS, the District has Determined to finance the acquisition and construction of improvements to the Water System, including the acquisition and installation of power generators and seismic improvements (the "Project"); and

WHEREAS, to provide funds for such purpose, the District has requested that CSDA Finance Corporation (the "Corporation") enter into an Installment Sale Agreement with the District (the "Installment Sale Agreement"); and

WHEREAS, the District has proposed to authorize the execution, delivery and sale of the Diablo Water District 2026 Water Revenue Certificates of Participation (the "Certificates"), which will evidence the direct, undivided fractional interests of the owners thereof in installment payments (the "Installment Payments") that will be payable by the District under the Installment Sale Agreement; and

WHEREAS, the Certificates will be executed and delivered by U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), pursuant to a Trust Agreement among the District, the Corporation, and the Trustee; and

WHEREAS, the obligations of the District with respect to the Installment Payments will be secured by a pledge of the net revenues from the Water System on a parity with the District's payment obligations under the 2019 Installment Sale Agreement and the 2022 Installment Sale Agreement (as defined in the Installment Sale Agreement); and

WHEREAS, the District and the Corporation desire to provide for the negotiated sale of the Certificates; and

WHEREAS, the District and the Corporation have selected Oppenheimer & Co. Inc. to act as underwriter (in such capacity, the "Underwriter") and to purchase the Certificates pursuant to a Certificate Purchase Agreement (the "Purchase Contract"), between the District and the Underwriter; and

WHEREAS, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12") requires that, in order to be able to purchase or sell the Certificates, the underwriter thereof must have reasonably determined that the District has undertaken in a written agreement or contract for the benefit of the holders of the Certificates to provide disclosure of certain financial information and certain events on an ongoing basis; and

WHEREAS, to cause such requirement to be satisfied, the District desires to execute and deliver a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"); and

WHEREAS, a form of the Preliminary Official Statement (the "Preliminary Official Statement") has been prepared; and

WHEREAS, good faith estimates of certain information relating to the Certificates are disclosed and set forth in the staff report prepared for this Resolution as required by California Government Code Section 5852.1; such estimates were provided by Urban Futures, Inc., the District's the Municipal Advisor, based on preliminary bond pricing information provided by the Underwriter; and

WHEREAS, the Board of Directors has been presented with the form of each document referred to herein, and the Board of Directors has examined and approved each document and desires to authorize and direct the execution of such documents and the consummation of such financing; and

WHEREAS, all acts, conditions and things required by the laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of such financing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the District is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Diablo Water District hereby resolves as follow:

Section 1. Each of the above recitals is true and correct.

Section 2. The form of the Installment Sale Agreement, on file with the Secretary, is hereby approved, and the President and the General Manager, and each of their authorized designees (the "Authorized Officers"), are each hereby authorized and directed, for and in the name and on behalf of the District, to execute and deliver the Installment Sale Agreement in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the true interest cost applicable to the Certificates shall not exceed 4.50% per annum.

Section 3. The execution and delivery by the Trustee of not to exceed $6,000,000 aggregate principal amount of the Certificates, in one or more series, on a taxable or tax-exempt basis, in the principal amounts, bearing interest at the rates and maturing on the dates as specified in the Trust Agreement as finally executed, is hereby approved. The form of Trust Agreement, on file with the Secretary, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the District, to execute and deliver the Trust Agreement in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the aggregate principal amount of the Certificates shall not exceed $6,000,000, and the true interest cost applicable to the interest components of the Installment Sale Payments shall not exceed 4.50% per annum. In the event that it is determined by the General Manger, or his designee, that the funding or financing of capitalized interest on the Certificates would be in the best interests of the District, the Trust Agreement may be modified to provide for capitalized interest on such basis as is determined by the General Manager or his designee, such determination to be conclusively evidenced by the execution and delivery of the Trust Agreement by an Authorized Officer.

Section 4. The Purchase Contract, on file with the Secretary, is hereby approved and the Authorized Officers are each hereby authorized and directed, for and in the name of the District, to execute and deliver the Purchase Contract in substantially said form, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Purchase Contract by such

Authorized Officer; provided, however, that the underwriter's discount (not including any original issue discount paid by the Underwriter) from the principal amount of the Certificates shall not exceed 1.2% of the principal amount of the Certificates.

As an alternative to the sale of the Certificates through a public offering authorized in the immediately preceding paragraph of this Section 4, the Certificates may be sold on a direct placement basis through Oppenheimer & Co. Inc., acting as placement agent (in such capacity, the "Placement Agent"), if a direct placement of the Certificates will produce lower interest rates than are available through a public offering of the Certificates, or if a direct placement is otherwise preferable and/or more appropriate than a public offering of the Certificates, in the opinion of, and upon recommendation of, the District's Municipal Advisor, which recommendation is agreed to by the General Manager; provided, however, that the compensation paid to the Placement Agent shall not exceed the amount approved by the General Manager. The Authorized Officers are each hereby authorized to negotiate and execute a direct placement agreement with the Placement Agent in consultation with the District's Special Counsel and Municipal Advisor.

Section 5. The execution, delivery and sale of the Certificates and execution and delivery of the Installment Sale Agreement is hereby determined to be consistent with the District's Debt Management Policy and to the extent the sale and issuance of the Certificates and execution and delivery of the Installment Sale Agreement is not in compliance with the District's Debt Management Policy, such noncompliance is waived in accordance with the terms of the Debt Management Policy. The District further instructs Anzel Galvan LLP, as Special Counsel, on behalf of the District, with respect to the Certificates and the Installment Sale Agreement described in this Resolution, (a) to cause notices of the proposed sale and final sale of the Certificates and the Installment Sale Agreement to be filed in a timely manner with the California Debt and Investment Advisory Commission ("CDIAC") pursuant to Government Code Section 8855, and (b) to certify to CDIAC, on behalf of the District, that the District's Debt Management Policy complies with Government Code Section 8855(i) in the notice of proposed sale filed pursuant to Government Code Section 8855.

Section 6. The form of Preliminary Official Statement, on file with the Secretary, with such changes, insertions and omissions therein as may be approved by an Authorized Officer, is hereby approved, and the use of the Preliminary Official Statement in connection with the offering and sale of the Certificates is hereby authorized and approved. The Authorized Officers are each hereby authorized to

certify on behalf of the District that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2-12 (except for the omission of certain final pricing, rating and related information as permitted by Rule 15c2-12).

The Authorized Officers are each hereby authorized and directed to furnish, or cause to be furnished, to prospective bidders for the Certificates a reasonable number of copies of the Preliminary Official Statement.

Section 7. The preparation and delivery of an Official Statement, and its use in connection with the offering and sale of the Certificates, is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof. The Authorized Officers are each hereby authorized and directed, for and in the name of and on behalf of the District, to execute the final Official Statement and any amendment or supplement thereto for and in the name and on behalf of the District.

Section 8. The form of Continuing Disclosure Certificate, on file with the Secretary, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the District, to execute and deliver the Continuing Disclosure Certificate in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof.

Section 9. The District hereby declares its intention to enter into the Installment Sale Agreement and to cause the Trustee to execute and deliver the Certificates in a principal amount not to exceed $6,000,000, the proceeds of which will be used to pay for the costs of the Project (and related issuance costs), including the reimbursement to the District for certain capital expenditures relating to the Project made prior to the execution and delivery of the Certificates from legally available moneys of the District, including moneys in the District's Water Fund. This Resolution is intended as a declaration of official intent ("Declaration") to reimburse in accordance with the requirements of Treasury Regulation Section 1.150-2. This Declaration is not being declared as a matter of course or in amounts substantially in excess of the amounts expected to be necessary costs of the Project.

Section 10. Urban Futures, Inc., is hereby approved and appointed as Municipal Advisor, the law firm of Anzel Galvan LLP is hereby approved and appointed as Special Counsel and Disclosure Counsel, and U.S. Bank Trust Company, National Association is hereby appointed as Trustee, each to provide such services to the District and any other related services as may be required to effect the delivery of the Certificates.

Section 11. The officers, employees and agents of the District are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable to consummate the transactions herein authorized and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution, including without limitation, to make, execute and deliver any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate any of the transactions contemplated by the agreements and documents approved in this Resolution. Anything to the contrary herein notwithstanding, in the event the General Manager determines in consultation with the Municipal Advisor that the cost-efficient marketing of the Certificates requires creation of a funded reserve under the Trust Agreement, each of the Trust Agreement, the Installment Sale Agreement and other documents approved herein may be revised to reflect the funding of such a reserve. Specifically and without limiting the foregoing, the General Manager is authorized and directed to solicit and accept bids for bond insurance and, if applicable, a reserve account insurance policy, for the Certificates, provided he determines acceptance of the best bid will result in lower overall debt service or lower true interest cost applicable to the Certificates, and appropriate changes to each of the documents referenced herein to evidence such bond insurance, and, if applicable, a reserve account insurance policy, and the terms thereof, are hereby authorized and approved. All actions heretofore taken by the officers, employees and agents of the District with respect to the transactions set forth above are hereby approved, confirmed and ratified.

Section 12. This Resolution shall take effect from and after the date of its passage and adoption.

* * * * *

I certify that the foregoing is a true and complete copy of a resolution duly adopted by the Board of Directors of Diablo Water District at a special meeting thereof, held on December 10, 2025, by the following vote:

AYES:

NOES:

ABSENT:

DATED: December 10, 2025

_____

Kait Knight, Secretary

INSTALLMENT SALE AGREEMENT

This INSTALLMENT SALE AGREEMENT (this "Agreement"), dated as of January 1, 2026, is between the CSDA FINANCE CORPORATION, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"), as lender and seller, and the DIABLO WATER DISTRICT, a county water district duly organized and existing under the County Water District Law of the State of California (the "District"), as borrower and purchaser.

B A C K G R O U N D :

1. The District owns and operates facilities and property for the supply, treatment, storage and distribution of water within the service area of the District (the "Water System").

2. To provide funds to finance the acquisition and construction of improvements to the Water System (the "2005 Project"), the District and the Public Property Financing Corporation of California, a nonprofit public benefit corporation ("PPFCC"), previously entered into an Installment Sale Agreement, dated as of March 1, 2005 (the "2005 Installment Sale Agreement"), under which PPFCC agreed to sell the 2005 Project to the District on an installment basis in exchange for installment payments (the "2005 Installment Payments").

3. PPFCC assigned certain of its rights under the 2005 Installment Sale Agreement to Union Bank, N.A., as trustee, and at the direction of PPFCC, Union Bank, N.A., as trustee, executed and delivered 2005 Water Revenue Certificates of Participation in the aggregate original principal amount of $7,500,000 (the "2005 Certificates"), evidencing direct, undivided fractional interests in the 2005 Installment Payments.

4. To provide funds to finance the acquisition and construction of improvements to the Water System (the "2010 Project"), the District and PPFCC previously entered into an Installment Sale Agreement dated as of May 1, 2010 (the "2010 Installment Sale Agreement"), under which PPFCC agreed to sell the 2010 Project to the District on an installment basis in exchange for installment payments (the "2010 Installment Payments").

5. PPFCC assigned certain of its rights under the 2010 Installment Sale Agreement to Union Bank, N.A., as trustee, and at the direction of PPFCC, Union Bank, N.A., as trustee, executed and delivered 2010 Water Revenue Certificates of Participation in the aggregate original principal amount of $4,200,000 (the "2010 Certificates"), evidencing direct, undivided fractional interests in the 2010 Installment Payments.

6. To provide funds to finance the acquisition and construction of additional improvements to the Water System (the "2013 Project") and refinance the 2005 Installment Payments, the District and PPFCC previously entered into a Loan and Installment Sale Agreement, dated as of April 1, 2013 (the "2013 Installment Sale Agreement"), under which PPFCC agreed to (i) sell the 2013 Project to the District on an installment basis in exchange for installment payments (the "2013 Installment Payments") and (ii) make a loan to the District for the purpose of providing funds to refinance the 2005 Installment Payments and the 2005 Certificates, with such loan to be repaid by the District in loan repayments (the "2013 Loan Repayments").

7. PPFCC assigned certain of its rights under the 2013 Installment Sale Agreement to Union Bank, N.A., as trustee, and at the direction of PPFCC, Union Bank, N.A., as trustee, executed and delivered 2013 Water Revenue Certificates of Participation in the aggregate original principal amount of $6,670,000 (the "2013 Certificates"), evidencing direct, undivided factional interests in the 2013 Installment Payments and the 2013 Loan Repayments.

8. To provide funds to finance the acquisition and construction of additional improvements to the Water System (the "2014 Project"), the District and Holman Capital Corporation previously entered into an Installment Purchase Agreement, dated June 30, 2014 (the "2014 Installment Sale Agreement"), under which Holman Capital Corporation agreed to sell the 2014 Project to the District on an installment basis in exchange for installment payments (the "2014 Installment Payments").

9. To provide funds to finance the acquisition and construction of additional improvements to the Water System (the "2019 Project") and refinance the 2010 Installment Payments and the 2014 Installment Payments, the District and PPFCC previously entered into a Loan and Installment Sale Agreement, dated as of November 1, 2019 (the "2019 Installment Sale Agreement"), under which PPFCC agreed to (i) sell the 2019 Project to the District on an installment basis in exchange for installment payments (the "2019 Installment Payments") and (ii) make a loan to the District for the purpose of providing funds to refinance the 2010 Installment Payments and the 2014 Installment Payments, to be repaid by the District in loan repayments (the "2019 Loan Repayments").

10. PPFCC assigned certain of its rights under the 2019 Installment Sale Agreement to U.S. Bank Trust Company, National Association, as successor trustee, and, at the direction of PPFCC, U.S. Bank Trust Company, National Association, as successor trustee, executed and delivered 2019 Water Revenue Certificates of Participation in the aggregate original principal amount of $8,380,000 (the "2019 Certificates"), evidencing direct, undivided fractional interests in the 2019 Installment Payments and the 2019 Loan Repayments.

11. To provide funds to finance the acquisition and construction of additional improvements to the Water System (the "2022 Project") and refinance the 2013 Installment Payments, the District and Capital One Public Funding, LLC ("Capital One") previously entered into a Loan and Installment Sale Agreement, dated as of June 1, 2022 (the "2022 Installment Sale Agreement"), under which Capital One agreed to (i) sell the 2022 Project to the District on an installment basis in exchange for installment payments (the "2022 Installment Payments") and (ii) make a loan to the District for the purpose of providing funds to refinance the 2013 Installment Payments, to be repaid by the District in loan repayments (the "2022 Loan Repayments").

11. The District has determined to finance the acquisition and construction of improvements to the Water System described in Appendix B (the "Project").

12. To provide funds to finance the Project, the District has requested that the Corporation enter into this Agreement.

13. The obligation of the District to make installment payments in respect of the purchase price of the Project will be secured by a pledge of and lien on the Net Revenues of the Water System as set forth in this Agreement, which pledge and lien will be on a parity with the obligations of the District under the 2019 Installment Sale Agreement and the 2022 Installment Sale Agreement.

14. The Corporation has been formed for the purpose of assisting public agencies in the financing of public capital improvements, and to provide funds to finance the Project, the Corporation has assigned and transferred certain of its rights under this Agreement to U.S. Bank Trust Company, National Association, as trustee (the "Trustee") under a Trust Agreement dated as of January 1, 2026, among the District, the Corporation and the Trustee, under which the Trustee will execute and deliver Diablo Water District 2026 Water Revenue Certificates of Participation in the aggregate principal amount of $[PAR] (the "Certificates"), evidencing direct, undivided fractional interests in the Installment Payments which are payable by the District under this Agreement.

15. Under Section 5.7 of the 2019 Installment Sale Agreement, the District is authorized to issue additional obligations payable on a parity with the obligations of the District under the 2019 Installment Sale Agreement, upon satisfaction of the conditions set forth in such Section 5.7.

16. Under Section 5.7 of the 2022 Installment Sale Agreement, the District is authorized to issue additional obligations payable on a parity with the obligations of the District under the 2022 Installment Sale Agreement, upon satisfaction of the conditions set forth in such Section 5.7.

17. The District has determined that all of the conditions set forth in Section 5.7 of the 2019 Installment Sale Agreement and Section 5.7 of the 2022 Installment Sale Agreement have been satisfied, and that the Installment Payments constitute Parity Debt under the 2019 Installment Sale Agreement and 2022 Installment Sale Agreement.

18. The District is authorized under Section 31042 of the California Water Code to finance the Project on an installment sale basis as provided in this Agreement.

19. Payment of principal and interest represented by the Certificates is insured by a Municipal Bond Insurance Policy (the "Certificate Insurance Policy") issued by [INSURER] (the "Certificate Insurer").

A G R E E M E N T :

In consideration of the foregoing and the material covenants hereinafter contained, the District and the Corporation formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS; RULES OF INTERPRETATION

SECTION 1.1. *Definitions*. Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Agreement have the respective meanings given them in Appendix A to the Trust Agreement.

SECTION 1.2. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

SECTION 2.1. *Representations, Covenants and Warranties of the District*. The District represents, covenants and warrants to the Corporation and the Certificate Insurer as follows:

(a) Due Organization and Existence. The District is a county water district duly organized and validly existing under the County Water District Law of the State of California, has full legal right, power and authority under said laws to enter into this Agreement and the Trust Agreement and to carry out and consummate all transactions contemplated hereby and thereby, and by proper action the Board of Directors of the District has duly authorized the execution and delivery of this Agreement and the Trust Agreement.

(b) Due Execution. The representatives of the District executing this Agreement and the Trust Agreement are fully authorized to execute the same.

(c) Valid, Binding and Enforceable Obligations. This Agreement and the Trust Agreement have been duly authorized, executed and delivered by the District and constitute the legal, valid and binding agreements of the District enforceable against the District in accordance with their respective terms; except as the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and except as such enforceability may be subject to the exercise of judicial discretion in accordance with principles of equity.

(d) No Conflicts. The execution and delivery of this Agreement and the Trust Agreement, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the District is a party

or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the District, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially adversely affect the consummation of the transactions contemplated by this Agreement and the Trust Agreement or the financial condition, assets, properties or operations of the District, including but not limited to the performance of the District's obligations under this Agreement and the Trust Agreement.

(e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the District or of the voters of the District, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Agreement or the Trust Agreement, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the District after reasonable investigation, threatened against or affecting the District or the assets, properties or operations of the District which, if determined adversely to the District or its interests, could have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Agreement or the Trust Agreement, or upon the financial condition, assets, properties or operations of the District, and the District is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by this Agreement or the Trust Agreement, or the financial conditions, assets, properties or operations of the District, including but not limited to the payment and performance of the District's obligations under this Agreement and the Trust Agreement.

(g) Compliance with 2019 Installment Sale Agreement. All of the conditions set forth in applicable provisions of the 2019 Installment Sale Agreement have been met as required for the Installment Payments to be secured by a pledge of and lien on the Net Revenues on a parity with the pledge and lien which secures the 2019 Installment Payments and the 2019 Loan Repayments.

(h) Compliance with 2022 Installment Sale Agreement. All of the conditions set forth in applicable provisions of the 2022 Installment Sale Agreement have been met as required for the Installment Payments to be secured by a pledge of and lien on the Net Revenues on a parity with the pledge and lien which secures the 2022 Installment Payments and the 2022 Loan Repayments.

SECTION 2.2. *Representations, Covenants and Warranties of Corporation*. The Corporation represents, covenants and warrants to the District and the Certificate Insurer as follows:

(a) Due Organization and Existence. The Corporation is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California, and has power to enter into this Agreement and the Trust Agreement, and to perform the duties

and obligations imposed on it hereunder and thereunder. The Board of Directors of the Corporation has duly authorized the execution and delivery of this Agreement and the Trust Agreement.

(b) Due Execution. The representatives of the Corporation executing this Agreement and the Trust Agreement are fully authorized to execute the same.

(c) Valid, Binding and Enforceable Obligations. This Agreement and the Trust Agreement have been duly authorized, executed and delivered by the Corporation and constitute the legal, valid and binding agreements of the Corporation with the Corporation, enforceable against the Corporation in accordance with their respective terms; except as the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and except as such enforceability may be subject to the exercise of judicial discretion in accordance with principles of equity.

(d) No Conflicts. The execution and delivery of this Agreement and the Trust Agreement, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the Corporation is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Corporation, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially adversely affect the consummation of the transactions contemplated by this Agreement and the Trust Agreement or the financial condition, assets, properties or operations of the Corporation, including but not limited to the performance of the Corporation's obligations under this Agreement and the Trust Agreement.

(e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the Corporation, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Agreement and the Trust Agreement, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the Corporation after reasonable investigation, threatened against or affecting the Corporation or the assets, properties or operations of the Corporation which, if determined adversely to the Corporation or its interests, could have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of Agreement and the Trust Agreement, or upon the financial condition, assets, properties or operations of the Corporation, and the Corporation is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that

could materially adversely affect the consummation of the transactions contemplated by this Agreement and the Trust Agreement, or the financial conditions, assets, properties or operations of the Corporation, including but not limited to the performance of the Corporation's obligations under Agreement and the Trust Agreement.

ARTICLE III

DELIVERY OF CERTIFICATES; APPLICATION OF PROCEEDS; ACQUISITION AND CONSTRUCTION OF THE PROJECT

SECTION 3.1. *The Certificates*. To provide funds required to finance the acquisition, construction and improvement of the Project as provided in this Agreement, the Corporation will cause the Certificates to be executed and delivered under the Trust Agreement in the aggregate principal amount of $[PAR]. The Corporation agrees that the net proceeds of sale of the Certificates will be paid to the Trustee on the Closing Date for deposit under the Trust Agreement. The District hereby approves the Trust Agreement, the assignment thereunder to the Trustee of certain rights of the Corporation, and the execution and delivery of the Certificates.

SECTION 3.2. *Project Financing*. Pursuant to Section 3.01 of the Trust Agreement, the Corporation hereby agrees to cause the Trustee to deposit the amount of $[____] into the Project Fund and applied for the purpose of financing the acquisition, construction and improvement of the Project as provided in this Agreement.

SECTION 3.3. *Acquisition and Construction of the Project.*

(a) Agreement to Construct the Project. The Corporation hereby agrees with due diligence to cause the acquisition, construction and installation of the Project to be supervised and provided for in accordance with the plans and specifications, purchase orders, construction contracts and other documents relating thereto and approved by the District under all applicable requirements of law. All contracts for, and all work relating to, the acquisition, construction and installation of the Project are subject to all applicable provisions of law relating to the acquisition and construction of public works by the District. The District expects that the Project will be completed by no later than _____, 20__. The failure to complete the Project by its estimated completion date shall not constitute an Event of Default or grounds for termination hereof, nor will any such failure result in the diminution, abatement or extinguishment of the obligations of the District hereunder to pay the Installment Payments when due.

(b) Appointment of District as Agent. The Corporation hereby appoints the District as its agent to carry out all phases of the acquisition, construction and installation of the Project under and in accordance with the provisions hereof. The District hereby accepts such appointment and assumes all rights, liabilities, duties and responsibilities of the Corporation regarding the acquisition, construction and installation of the Project. As agent of the Corporation hereunder, the District will enter into, administer and enforce all purchase orders or other contracts relating to the Project. Payment of Project Costs will be made by the District from amounts held by the Trustee in the Project Fund in accordance with the provisions of this Agreement and the provisions of the Trust Agreement.

(c) Plans and Specifications; Modification of Project Description. The District has the right to specify the exact scope, nature and identification of the Project and the respective components

thereof. Before any payment is made for the Project or any component thereof from amounts on deposit in the Project Fund, the District must prepare detailed plans and specifications relating thereto. The District may from time to time amend any such plans and specifications, and thereby change or modify the description of the Project or any component thereof.

(d) Certificate of Project Completion. Not later than 30 days following the completion of the Project, a District Representative will execute and deliver to the Corporation and the Trustee a written certificate which (i) states that the construction of the Project has been substantially completed, (ii) identifies the total Project Costs thereof, and (iii) identifies the amounts, if any, to be reserved in the Project Fund for payment of future Project Costs.

(e) Sale of Project. The Corporation hereby agrees to sell the completed Project to the District in consideration of the payment by the District of the Installment Payments as provided in this Agreement.

SECTION 3.4. *Term*. The Term of this Agreement begins on the Closing Date and ends on January 1, 20[__] , or such later or earlier date on which the Certificates cease to be Outstanding under and within the meaning of the Trust Agreement.

ARTICLE IV

INSTALLMENT PAYMENTS

SECTION 4.1. *Installment Payments*. The District hereby agrees to pay to the Corporation, as the purchase price of the Project hereunder, the aggregate principal amount of $[PAR] together with interest (calculated on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof, payable in semiannual Installment Payments in the respective amounts and on the respective Certificate Payment Dates specified in Appendix A hereto. The Installment Payment coming due and payable on any Certificate Payment Date will be deposited by the District with the Trustee, as assignee of the Corporation under the Trust Agreement, on the related Deposit Date in an amount which is equal to the full amount of such Installment Payment. The Installment Payments will be secured by and payable solely from the sources specified in Section 4.4. Any amounts held by the Trustee on deposit in the Certificate Payment Fund on any Deposit Date shall be credited towards the Installment Payment then required to be deposited with the Trustee.

If the District fails to make any Installment Payments in full when due, the payment in default shall continue as an obligation of the District until the amount in default has been fully paid, and the District agrees to pay the same with interest thereon, to the extent permitted by law, from the Certificate Payment Date to the applicable date of payment at the Overdue Rate.

SECTION 4.2. *Effect of Prepayment.* If the District prepays the Installment Payments in full under Article VII, the District's obligations under this Agreement shall thereupon cease and terminate, including but not limited to the District's obligation to make Installment Payments under Section 4.1; *subject, however*, to the provisions of Section 7.1 in the case of prepayment by application of a security deposit.

SECTION 4.3. *Assignment*. The District understands and agrees that certain rights of the Corporation, including but not limited to the right of the Corporation to receive payment of the

Installment Payments, have been assigned by the Corporation to the Trustee in trust under the Trust Agreement, for the benefit of the Owners of the Certificates, and the District hereby consents to such assignment. The Corporation hereby directs the District, and the District hereby agrees, to pay to the Trustee at its Trust Office, all payments payable by the District under Section 4.1, and all amounts payable by the District under Article VII.

SECTION 4.4. *Pledge and Application of Net Revenues*.

(a) Pledge. All of the Net Revenues and all moneys on deposit in any of the funds and accounts established and held by the Trustee under the Trust Agreement (excluding the Project Fund and the Costs of Issuance Fund) are hereby irrevocably pledged, charged and assigned to the punctual payment of the Installment Payments. Such pledge, charge and assignment constitutes a lien on the Net Revenues and such other moneys for the payment of the Installment Payments in accordance with the terms hereof, which lien will be on a parity with the pledge and lien which secures Parity Debt.

(b) Deposit of Net Revenues Into Water Fund; Transfers to Make Payments. The District previously established the Water Fund, which the District will continue to hold and maintain for the purposes and uses set forth herein. The District will deposit all Gross Revenues in the Water Fund immediately on receipt. The District will apply amounts in the Water Fund as set forth in this Agreement and in any Parity Debt Documents. The District will apply amounts on deposit in the Water Fund to pay when due the following amounts in the following order of priority:

(i) all Operation and Maintenance Costs;

(ii) the Installment Payments, and all payments of principal of and interest on all outstanding Parity Debt;

(iii) to the Trustee the amount of any deficiency in the Reserve Fund established for the Certificates and in any reserve fund established for any Parity Debt, the notice of which deficiency shall have been sent to the District in accordance with the Trust Agreement and the related Parity Debt Documents, respectively;

(iv) any other payments required to comply with the provisions of this Agreement and any Parity Debt Documents; and

(v) any other purposes authorized under subsection (d) of this Section 4.4.

(c) No Preference or Priority. If, at any time, there is a deficiency in Net Revenues available to pay the Installment Payments and any amounts due with respect to Parity Debt, available Net Revenues shall be applied on a pro rata basis to the payment thereof. If, at any time, there is a deficiency in Net Revenues available to replenish the Reserve Fund established for the Certificates and any reserve fund established for any Parity Debt, available Net Revenues shall be applied to the replenishment thereof on a pro rata basis.

(d) Other Uses of Net Revenues Permitted. The District will manage, conserve and apply the Net Revenues on deposit in the Water Fund in such a manner that all deposits required to be made under the preceding subsection (b) will be made at the times and in the amounts so required. Subject to the foregoing sentence, so long as no Event of Default has occurred and is continuing, the District may use and apply moneys in the Water Fund for (i) the payment of any subordinate obligations or any

unsecured obligations, (ii) the acquisition and construction of improvements to the Water System, (iii) the prepayment of any other obligations of the District relating to the Water System, or (iv) any other lawful purposes of the District.

(e) Budget and Appropriation of Installment Payments. During the Term of this Agreement, the District will adopt all necessary budgets and make all necessary appropriations of the Installment Payments from the Net Revenues. If any Installment Payment requires the adoption by the District of a supplemental budget or appropriation, the District will promptly adopt the same. The covenants on the part of the District contained in this subsection (e) are duties imposed by law and it is the duty of each and every public official of the District to take such actions and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in this subsection (e).

SECTION 4.5. *Establishment of Rate Stabilization Fund*.

(a) General. The District previously established a fund known as the "Rate Stabilization Fund" held by it and administered in accordance with this Section 4.5, for the purpose of stabilizing the rates and charges imposed by the District with respect to the Water System. Amounts on deposit in the Rate Stabilization Fund are not pledged to and shall not secure the Installment Payments or any Parity Debt. All interest or other earnings on deposits in the Rate Stabilization Fund will be retained therein or, at the option of the District, be applied for any other lawful purposes. In addition to withdrawals for the purpose described below, the District has the right at any time to withdraw any or all amounts on deposit in the Rate Stabilization Fund any apply such amounts for any other lawful purposes of the District.

(b) Deposits and Withdrawals. From time to time the District may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien that secures the Installment Payments and Parity Debt, as the District may determine.

The District may, but is not required to, withdraw amounts on deposit in the Rate Stabilization Fund and deposit such amounts in the Water Fund in any Fiscal Year for the purpose of paying the Installment Payments and the principal of and interest on any Parity Debt coming due and payable in such Fiscal Year.

Amounts so transferred from the Rate Stabilization Fund to the Water Fund in any Fiscal Year constitute Gross Revenues for that Fiscal Year (except for purposes of Section 5.7(b) relating to the issuance of Parity Debt), and will be applied for the purposes of the Water Fund. Gross Revenues do not include funds transferred from the Water Fund to the Rate Stabilization Fund during a fiscal year.

(c) Springing Amendment. Effective on and after the date the 2019 Certificates are no longer Outstanding, subsection (b) of this Section 4.5 shall be amended in its entirety to read as follows:

> (b) *Deposits and Withdrawals.* From time to time the District may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien that secures the Installment Payments and Parity Debt, as the District may determine.

The District may, but is not required to, withdraw amounts on deposit in the Rate Stabilization Fund and deposit such amounts in the Water Fund for any Fiscal Year for the purpose of paying the Installment Payments and the principal of and interest on any Parity Debt coming due and payable in such Fiscal Year. Deposits for each Fiscal Year may be made until (but not after) the date that is one hundred twenty (120) days after the end of such Fiscal Year.

Amounts so transferred from the Rate Stabilization Fund to the Water Fund for any Fiscal Year constitute Gross Revenues for that Fiscal Year (except for purposes of Section 5.7(b) relating to the issuance of Parity Debt), and will be applied for the purposes of the Water Fund. Gross Revenues do not include funds transferred from the Water Fund into the Rate Stabilization Fund for a Fiscal Year.

SECTION 4.6. *Special Obligation of the District; Obligations Absolute.* The District's obligation to pay the Installment Payments, and any other amounts coming due and payable hereunder, is a special obligation of the District limited solely to the Net Revenues. Under no circumstances is the District required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Installment Payments and such other amounts, and no other funds or property of the District are liable for the payment of the Installment Payments.

The obligation of the District to make the Installment Payments from the Net Revenues and to perform and observe the other agreements contained herein is absolute and unconditional and is not subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Corporation or the Trustee of any obligation to the District or otherwise with respect to the Water System, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the District by the Corporation or the Trustee. Until all of the Installment Payments, Additional Payments and other amounts coming due and payable hereunder have been fully paid or prepaid, the District will:

(a) not suspend or discontinue payment of any Installment Payments, Additional Payments or such other amounts,

(b) perform and observe all other agreements contained in this Agreement, and

(c) not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Water System, failure to complete the acquisition and construction of the Project by the estimated completion date thereof, sale of the Water System, the taking by eminent domain of title to or temporary use of any component of the Water System, commercial frustration of purpose, any change in the tax or law other laws of the United States of America or the State of California or any political subdivision of either thereof or any failure of the Corporation or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Trust Agreement or this Agreement.

Nothing contained in this Section releases the Corporation from the performance of any of the agreements on its part contained herein or in the Trust Agreement, and if the Corporation fails to perform any such agreements, the District may institute such action against the Corporation as the

District may deem necessary to compel performance so long as such action does not abrogate the obligations of the District contained in the preceding paragraph. The District may, however, at its cost and expense and in its name or in the name of the Corporation, prosecute or defend any action or proceeding or take any other action involving third persons which the District deems reasonably necessary to secure or protect the District's rights hereunder, and in that event the Corporation will cooperate fully with the District and take such action necessary to effect the substitution of the District for the Corporation in such action or proceeding if the District may request.

SECTION 4.7. *Additional Payments*. In addition to the Installment Payments, the District will pay when due the following amounts to the following parties (collectively, the "Additional Payments"):

(a) to the Corporation, all reasonable costs and expenses which have been billed to the Corporation in connection with the execution and delivery of the Certificates or otherwise in connection with the performance of any duties of the Corporation under this Agreement or the Trust Agreement;

(b) to the Trustee upon request therefor, all of its costs and expenses payable as a result of the performance of and compliance with its duties hereunder or under the Trust Agreement or any related documents, which costs and expenses have been mutually agreed upon by the Trustee and the District;

(c) to the Corporation and the Trustee, all amounts required to indemnify the Corporation and the Trustee under Section 10.03 of the Trust Agreement;

(d) all costs and expenses of auditors, engineers and accountants, which costs and expenses have been mutually agreed upon by the District and such auditors, engineers and accountants; and

(e) all reimbursements of costs to the Certificate Insurer that do not constitute payment of Installment Payments.

Subject to the provisions of Section 7.03 of the Trust Agreement, the Additional Payments are payable from, but are not secured by a pledge or lien upon, the Net Revenues. The rights of the Trustee and the Corporation under this Section 4.7, and the obligations of the District under this Section 4.7, shall survive the termination of this Agreement and the resignation or removal of the Trustee.

ARTICLE V

COVENANTS OF THE DISTRICT

SECTION 5.1. *Disclaimer of Warranties*. The Corporation makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the District of the Project or any component thereof, or any other representation or warranty with respect to any of the Project or any component thereof. In no event will the Corporation or the Trustee be liable for incidental, indirect, special, punitive or consequential damages, in connection with or arising out of this Agreement or the Trust Agreement for the existence, furnishing, functioning or use of the Project.

SECTION 5.2. *Sale or Eminent Domain of Water System*. Except as provided herein, the District covenants that the Water System will not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the District to pay the Installment Payments and any outstanding Parity Debt, or would materially adversely affect its ability to comply with the terms of this Agreement or the Parity Debt Documents. The District may not enter into any agreement which impairs the operation of the Water System or any part of it necessary to secure adequate Net Revenues to pay the Installment Payments and any outstanding Parity Debt, or which otherwise would impair the rights of the Certificate Owners or the Trustee with respect to the Net Revenues. If any substantial part of the Water System is sold, the payment therefor must either (a) be used for the acquisition or construction of improvements and extensions or replacement facilities or (b) be applied on a pro rata basis to prepay the Installment Payments and all outstanding Parity Debt on the next available prepayment date.

Any amounts received as awards as a result of the taking of all or any part of the Water System by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the District, will either (a) be used for the acquisition or construction of improvements and extension of the Water System, or (b) be applied on a pro rata basis to prepay the Installment Payments and any outstanding Parity Debt on the next available prepayment date.

SECTION 5.3. *Insurance*. The District will at all times maintain with responsible insurers all such insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Water System. All amounts collected from insurance against accident to or destruction of any portion of the Water System will be used, at the option of the District, either (a) to repair or rebuild such damaged or destroyed portion of the Water System, or (b) to prepay the Installment Payments and any outstanding Parity Debt, in whole or in part, on the next available prepayment date.

The District will also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the District, the Corporation, the Trustee and the Owners of the Certificates.

Any policy of insurance required under this Section 5.3 may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of self-insurance by the District or in the form of the participation by the District in a joint powers agency or other program providing pooled insurance.

SECTION 5.4. *Records and Accounts*. The District will keep proper books of record and accounts of the Water System in which complete and correct entries will be made of all transactions relating to the Water System. Said books will, upon prior request, be subject to the reasonable inspection of the Owners of not less than 10% in aggregate principal amount of the Certificates then Outstanding, or their representatives authorized in writing, upon not less than five Business Days' prior notice to the District.

The District will cause the books and accounts of the Water System to be audited annually by an Independent Accountant not more than nine months after the close of each Fiscal Year, and will make a copy of such report available for inspection by the Certificate Owners at the office of the District and at the Trust Office of the Trustee. Such report may be part of a combined financial audit or report covering all or part of the District's finances.

SECTION 5.5. *Rates and Charges*.

(a) Gross Revenues Covenant. The District will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues sufficient to pay the following amounts in the following order of priority:

(i) All Operation and Maintenance Costs estimated by the District to become due and payable in the Fiscal Year.

(ii) All Installment Payments and payments of principal of and interest on outstanding Parity Debt as they become due and payable during the Fiscal Year, without preference or priority.

(iii) All amounts, if any, required to restore the balance in the Reserve Fund to the full amount of the Reserve Requirement and any reserve fund established for any outstanding Parity Debt in accordance with the related Parity Debt Documents.

(iv) All payments required to meet any other obligations of the District which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues during such Fiscal Year.

(b) Net Revenues Covenant. In addition, the District will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which are sufficient to yield Net Revenues which are at least equal to 125% of the amount of all Installment Payments and payments of principal of and interest on all outstanding Parity Debt coming due and payable during the Fiscal Year. For purposes of this subsection (b), the amount of Net Revenues for a Fiscal Year will be computed by including in Gross Revenues all Connection Charges received in the Fiscal Year and all amounts transferred into the Water Fund from the Rate Stabilization Fund for such Fiscal Year in accordance with Section 4.5.

SECTION 5.6. *Superior and Subordinate Obligations*. The District shall not issue or incur any additional bonds or other obligations during the Term of this Agreement having any priority in payment of principal or interest out of the Net Revenues over the Installment Payments. Nothing herein limits or affects the ability of the District to issue or incur (a) Parity Debt under Section 5.7, or (b) obligations that are either unsecured or that are secured by an interest in the Net Revenues that is junior and subordinate to the pledge of and lien upon the Net Revenues established hereunder.

SECTION 5.7. *Issuance of Parity Debt*. The District may issue or incur any additional Parity Debt during the Term hereof upon satisfaction of all of the following conditions:

(a) No Event of Default has occurred and is continuing.

(b) The Net Revenues, calculated in accordance with sound accounting principles, as shown by the books of the District for the latest Fiscal Year for which audited financial statements are available, or as shown by the books of the District for any more recent 12-month period selected by the District, in either case verified by a certificate or opinion of an Independent Accountant employed by the

District, plus (at the option of the District) the Additional Revenues, are at least equal to 125% of the amount of Maximum Annual Debt Service. For purposes of computing such Net Revenues, the amount of Gross Revenues shall not include any amounts transferred from a Rate Stabilization Fund to the Water Fund. If the Parity Debt is being issued solely to prepay Installment Payments or any other Parity Debt, and such refunding produces debt service savings in every year during the term thereof, the District shall not be required to comply with this paragraph (b).

(c) The trustee (if any) for such Parity Debt is the same entity performing the functions of Trustee under the Trust Agreement.

(d) The District will deliver to the Trustee a written certificate of a District Representative certifying that the conditions precedent to the issuance of such Parity Debt set forth in subsections (a), (b) and (c) of this Section have been satisfied.

SECTION 5.8. *Operation of Water System in Efficient and Economical Manner*. The District will operate the Water System in an efficient and economical manner and to operate, maintain and preserve the Water System in good repair and working order.

SECTION 5.9. *Assignment and Amendment Hereof.* This Agreement may not be assigned by the District in whole or in part. This Agreement may be amended by the District and the Corporation, but only (a) for the purpose of providing for the issuance of any Parity Debt under and in accordance with Section 5.7, or (b) otherwise under the circumstances and to the extent permitted under Sections 8.01 or 8.02 of the Trust Agreement.

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.1. *Events of Default Defined*. The following events constitute Events of Default hereunder:

(a) Failure by the District to pay any Installment Payment when due and payable hereunder.

(b) Failure by the District to pay any Additional Payment when due and payable hereunder, and the continuation of such failure for a period of 30 days.

(c) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation, the Trustee; *provided, however,* that if the District notifies the Corporation and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within the 30-day period, such failure will not constitute an event of default hereunder if the District commences to cure such failure within the 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.

(d) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

(e) The occurrence of any event defined to be an event of default under any Parity Debt Documents and such event of default has not been cured within the timeframes provided therein.

SECTION 6.2. *Remedies on Default*. If an Event of Default occurs and is continuing, the Trustee as assignee of the Corporation has the right, at its option and without any further demand or notice, to take any one or more of the following actions:

(a) Declare all principal components of the unpaid Installment Payments, together with accrued interest thereon at the Overdue Rate from the immediately preceding Certificate Payment Date on which payment was made, to be immediately due and payable, whereupon the same will immediately become due and payable. Notwithstanding the foregoing provisions of this subsection (a), however, if, at any time after the principal components of the unpaid Installment Payments have been so declared due and payable under this subsection (a), and before any judgment or decree for the payment of the moneys due have been obtained or entered, the District will deposit with the Trustee a sum sufficient to pay all principal components of the Installment Payments coming due prior to such declaration and all matured interest components (if any) of the Installment Payments, with interest on such overdue principal and interest components calculated at the Overdue Rate, and the reasonable expenses of the Trustee (including any fees and expenses of its attorneys), and any and all other defaults actually known to the Trustee (other than in the payment of the principal and interest components of the Installment Payments due and payable solely by reason of such declaration) have been made good, then, and in every such case, the Trustee will rescind and annul such declaration and its consequences. However, no such rescission and annulment will extend to or will affect any subsequent default, or will impair or exhaust any right or power consequent thereon. As provided in Section 6.6, the Trustee is required to exercise the remedies provided herein in accordance with the Trust Agreement.

(b) Take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due or thereafter to become due during the Term of this Agreement, or enforce performance and observance of any obligation, agreement or covenant of the District under this Agreement.

(c) As a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Certificate Owners hereunder, cause the appointment of a receiver or receivers of the Gross Revenues and other amounts pledged hereunder, with such powers as the court making such appointment may confer.

SECTION 6.3. *No Remedy Exclusive*. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive and every such remedy will be cumulative and will be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Corporation to exercise any remedy reserved to it in this Article, it is not necessary to give any notice, other than such notice as may be required in this Article or by law.

SECTION 6.4. *Agreement to Pay Attorneys' Fees and Expenses*. If either party to this Agreement defaults under any of the provisions hereof and the nondefaulting party, the Trustee or the Owner of any Certificates employs attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party, the Trustee or such Owner, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred. The provisions of this Section will survive the expiration of the Term of this Agreement and the resignation or removal of the Trustee.

SECTION 6.5. *No Additional Waiver Implied by One Waiver*. If any agreement contained in this Agreement is breached by either party and thereafter waived by the other party, the waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

SECTION 6.6. *Trustee and Certificate Owners to Exercise Rights*. Such rights and remedies as are given to the Corporation under this Article have been assigned by the Corporation to the Trustee under the Trust Agreement, to which assignment the District hereby consents. Such rights and remedies will be exercised by the Trustee and the Owners of the Certificates as provided in the Trust Agreement.

ARTICLE VII

PREPAYMENT OFINSTALLMENT PAYMENTS

SECTION 7.1. *Security Deposit*. Notwithstanding any other provision hereof, the District may on any date secure the payment of the Installment Payments, in whole or in part, by irrevocably depositing with the Trustee or any other fiduciary an amount of cash which, together with other available amounts, is either:

(a) sufficient to pay all such Installment Payments, including the principal and interest components thereof, when due under Section 4.1, or when due on any optional prepayment date under Section 7.2, as the District instructs at the time of said deposit, or

(b) invested in whole or in part in non-callable Federal Securities, the payments of principal of and interest on which, together with other available cash, are sufficient to pay the Installment Payments when due under Section 4.1, or when due on any optional prepayment date under Section 7.2, as the District instructs at the time of said deposit.

The sufficiency of amounts deposited with the Trustee under the foregoing subsection (b) must be verified by the report of an Independent Accountant which is addressed and delivered to the Trustee.

If the District makes a security deposit under this Section for the payment of all or portion of remaining Installment Payments, all obligations of the District hereunder with respect to such Installment Payments, and the pledge of Net Revenues and all other security provided by this Agreement for said obligations, will cease and terminate, excepting only the obligation of the District to make, or cause to be made, such Installment Payments from such security deposit. A security deposit constitutes a special fund for the payment of such Installment Payments in accordance with the provisions hereof.

Payments made by the Certificate Insurer under the Certificate Insurance Policy will not be considered in determining whether the District has paid and discharged any or all of the Installment Payments under this Section.

SECTION 7.2. *Optional Prepayment*. The District may exercise its option to prepay the principal components of the Installment Payments in whole or in part [on any date on or after [_____]].. Such option will be exercised by payment of a prepayment price equal to the sum of (a) the aggregate principal components of the Installment Payments to be prepaid, plus (b) the interest component of the Installment Payment required to be paid on or accrued to such date, plus (c) any premium required to be paid on the corresponding prepayment of the Certificates under Section 4.01(a) of the Trust Agreement. Such prepayment price will be deposited by the Trustee in the Certificate Payment Fund to be applied to the prepayment of Certificates under Section 4.01(a) of the Trust Agreement. If the District prepays the Installment Payments in part but not in whole, the principal components will be prepaid among such maturities and in such integral multiples of $5,000 as the District designates in written notice to the Trustee. The District will give the Trustee written notice of its intention to exercise its option not less than 45 days in advance of the date of exercise.

SECTION 7.3. *Mandatory Prepayment From Proceeds of Insurance, Sale or Condemnation*. The District will prepay the Installment Payments on any date, in whole, or in part among maturities on a pro rata basis in any integral multiple of $5,000, from and to the extent of any proceeds of insurance, sale or condemnation awards with respect to the Water System theretofore paid to the Trustee for such purpose under Sections 5.2 or 5.3. The District and the Corporation hereby agree that such proceeds, to the extent remaining after payment of any delinquent Installment Payments, will be deposited in the Certificate Payment Fund and credited towards the District's obligations under this Section 7.3.

SECTION 7.4. *Credit for Amounts on Deposit*. If the District prepays the Installment Payments in full under this Article, such that the Trust Agreement is discharged by its terms as a result of such prepayment, and upon payment in full of all Additional Payments and other amounts then due and payable hereunder, all available amounts then on deposit in the funds and accounts established under the Trust Agreement will be credited towards the amounts then required to be so prepaid.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.1. *Further Assurances*. The District agrees that it will execute and deliver any and all such further agreements, instruments, financing statements or other assurances as may be reasonably necessary or requested by the Corporation, the Certificate Insurer or the Trustee to carry

out the intention or to facilitate the performance of this Agreement, including, without limitation, to perfect and continue the security interests herein intended to be created.

SECTION 8.2. *Notices*. Any notice, request, complaint, demand or other communication under this Agreement will be given by first class mail, electronic transmission or personal delivery to the party entitled thereto at its address set forth below, or by telecopier or other form of telecommunication, at its number set forth below. Notice will be effective upon actual receipt. The Corporation, the District, the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the District:	Diablo Water District 87 Carol Lane Oakley, California 94561 Attention: General Manager
If to the Corporation:	CSDA Finance Corporation [c/o California Special Districts Association] 1112 I Street, Suite 200 Sacramento, California 95814 Attention: [____]
If to the Trustee:	U.S. Bank Trust Company, National Association One California Street, Suite 1000 San Francisco, California 94111 Attention: [____]
If to the Certificate Insurer:	[____] [____] [____] Attention: [____] Telephone: [____] Telecopier: [____] Email: [____]

If the Trustee acts on any communication (including, but not limited to, communication with respect to the wire transfer of funds) sent by electronic transmission, the Trustee, absent negligence or willful misconduct, will not be responsible or liable in the event such communication is not an authorized or authentic communication of the party involved or is not in the form the party involved sent or intended to send (whether due to fraud, distortion or otherwise). The Trustee will not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District agrees to assume all risks arising out of the use of such electronic transmission to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

SECTION 8.3. *Governing Law*. This Agreement will be construed in accordance with and governed by the laws of the State of California.

SECTION 8.4. *Binding Effect*. This Agreement inures to the benefit of and is binding upon the Corporation, the District, the Certificate Insurer and their respective successors and assigns, subject, however, to the limitations contained herein.

SECTION 8.5. *Severability of Invalid Provisions*. If any one or more of the provisions contained in this Agreement are for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions will be deemed severable from the remaining provisions contained in this Agreement and such invalidity, illegality or unenforceability will not affect any other provision of this Agreement, and this Agreement will be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Corporation and the District each hereby declares that it would have entered into this Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Agreement may be held illegal, invalid or unenforceable.

SECTION 8.6. *Article and Section Headings and References*. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, will be solely for convenience of reference and do not affect the meaning, construction or effect of this Agreement. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender mean and include words of the feminine and neuter genders.

SECTION 8.7. *Payment on Non-Business Days*. Whenever any payment is required to be made hereunder on a day which is not a Business Day, such payment will be made on the immediate preceding Business Day.

SECTION 8.8. *Execution of Counterparts*. This Agreement may be executed in any number of counterparts, each of which for all purposes is deemed to be an original and all of which together constitutes but one and the same instrument. The exchange of copies of this Agreement and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Indenture as to the parties hereto and may be used in lieu of the original Agreement and signature pages for all purposes.

SECTION 8.9. *Waiver of Personal Liability*. No member of the Board of Directors, officer, agent or employee of the District has any individual or personal liability for the payment of Installment Payments or Additional Payments or be subject to any personal liability or accountability by reason of this Agreement; but nothing herein contained shall relieve any such member of the Board of Directors, officer, agent or employee from the performance of any official duty provided by law or by this Agreement.

SECTION 8.10. *Trustee and Certificate Insurer as Third Party Beneficiaries*. The Trustee and the Certificate Insurer are each hereby made a third party beneficiary hereof and is entitled to the benefits of this Agreement with the same force and effect as if the Trustee and the Certificate Insurer was a party hereto.

[Signature Page Follows]

IN WITNESS WHEREOF, the Corporation and the District have caused this Agreement to be executed in their respective names by their duly authorized representatives, all as of the date first above written.

CSDA FINANCE CORPORATION,
as Seller

By: _____
Name: _____
Title: _____

DIABLO WATER DISTRICT,
as Purchaser

By: _____
Daniel Muelrath
General Manager

APPENDIX A

SCHEDULE OF INSTALLMENT PAYMENTS

Payment Date[(1)]	Principal Component	Interest Component	Total Installment Payment

(1) Installment Payments are due on the 5th Business Day immediately preceding each Certificate Payment Date shown in the table.

APPENDIX B

DESCRIPTION OF THE PROJECT

The District plans to use proceeds of the Certificates which have been deposited into the Project Fund to finance the acquisition, construction and improvement of the Project. The Project will consist of _____.

TRUST AGREEMENT

Dated as of January 1, 2026

among

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee

CSDA FINANCE CORPORATION,

and the

DIABLO WATER DISTRICT

Relating to

$[PAR]
Diablo Water District
2026 Water Revenue Certificates of Participation

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TRUST AGREEMENT

This TRUST AGREEMENT, made and entered into as of January 1, 2026, is among U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee"), the CSDA FINANCE CORPORATION, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"), and the DIABLO WATER DISTRICT, a county water district duly organized and existing under the County Water District Law of the State of California (the "District").

B A C K G R O U N D :

1. The District owns and operates facilities and property for the supply, treatment and distribution of water within the service area of the District (the "Water System").

2. The District has determined to finance the acquisition, construction and improvement to the Water System as described in Appendix B to the hereinafter defined Installment Sale Agreement (the "Project").

3. The Corporation has entered into an Installment Sale Agreement dated as of January 1, 2026 (the "Installment Sale Agreement") with the District under which the Corporation agrees to lend funds to the District to finance the acquisition, construction and improvement of the Project in consideration of the agreement by the District to pay the purchase price of the Project in semiannual installments (the "Installment Payments").

4. For the purpose of obtaining the moneys required to make the deposits required under the terms of the Installment Sale Agreement, the Corporation wishes to assign and transfer certain of its rights under the Installment Sale Agreement to the Trustee, and at the written direction of the Corporation the Trustee will execute and deliver the Diablo Water District 2026 Water Revenue Certificates of Participation in the aggregate principal amount of $[PAR], evidencing direct, undivided fractional interests in the Installment Payments.

5. Payment of principal and interest represented by the Certificates is insured by a Municipal Bond Insurance Policy (the "Certificate Insurance Policy") issued by [INSURER] (the "Certificate Insurer").

A G R E E M E N T :

In consideration of the foregoing and the material covenants hereinafter contained, the District, the Corporation and the Trustee covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. *Definitions*. Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms defined in Appendix A attached to this Trust Agreement have the respective meanings specified in that Appendix when used in this Trust Agreement.

SECTION 1.02. *Authorization*. Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Trust Agreement, and has taken all actions necessary to authorize the execution hereof by the officers and persons signing it.

SECTION 1.03. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Trust Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

THE CERTIFICATES OF PARTICIPATION

SECTION 2.01. *Authorization*. The Trustee is hereby authorized and directed upon written request from the Corporation to register, execute and deliver, to the Original Purchaser, the Certificates in an aggregate principal amount of $[PAR], which shall represent the direct, undivided fractional ownership interests of the Owners thereof in the Installment Payments.

SECTION 2.02. *Date*. Each Certificate shall be dated as of the Closing Date. Interest represented by a Certificate is payable from the Certificate Payment Date next preceding the date of execution thereof, unless:

(a) it is executed after a Record Date and on or before the following Certificate Payment Date, in which event interest represented thereby is payable from such Certificate Payment Date; or

(b) it is executed on or before the first Record Date, in which event interest represented thereby is payable from the Closing Date; or

(c) interest represented by such Certificate is in default as of the date of its execution, in which event interest represented thereby is payable from the Certificate Payment Date to which interest represented thereby has previously been paid or made available for payment.

SECTION 2.03. *Terms of Certificates*. Principal represented by the Certificates is payable on January 1 in each of the respective years and in the respective amounts, and interest represented thereby will be computed at the respective rates, as follows:

Maturity Date (January 1)	Principal Amount	Interest Rate

SECTION 2.04. *Fully Registered Form; Interest*. The Certificates shall be delivered in the form of fully registered Certificates without coupons in the authorized denominations of $5,000 or any integral multiple thereof, except that no Certificate shall represent principal payable in more than one year. The Certificates shall be assigned such alphabetical and numerical designation as shall be deemed appropriate by the Trustee.

Interest represented by the Certificates is payable on each Certificate Payment Date to and including the date of maturity or prepayment, whichever is earlier. Said interest represents the portion of Installment Payments designated as interest and coming due on each of the respective Certificate Payment Dates. The share of the portion of Installment Payments designated as interest with respect to any Certificate will be computed by multiplying the portion of Installment Payments designated as principal represented by such Certificate by the rate of interest represented by such Certificate (on the basis of a 360-day year of twelve 30-day months).

SECTION 2.05. *Book Entry System*.

(a) Original Delivery. The Certificates shall be initially delivered in the form of a separate single fully registered Certificate for each maturity of the Certificates. Upon initial delivery, the ownership of each such Certificate shall be registered on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Certificates shall be registered in the name of the Nominee on the Registration Books.

With respect to Certificates the ownership of which is registered in the name of the Nominee, the District and the Trustee have no responsibility or obligation to any Depository System Participant

or to any person on behalf of which the District holds an interest in the Certificates. Without limiting the generality of the immediately preceding sentence, the District and the Trustee have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Certificates, (ii) the delivery to any Depository System Participant or any other person, other than a Certificate Owner as shown in the Registration Books, of any notice with respect to the Certificates, including any notice of prepayment, (iii) the selection by the Depository of the beneficial interests in the Certificates to be prepaid if the District elects to prepay the Certificates in part, (iv) the payment to any Depository System Participant or any other person, other than a Certificate Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest represented by the Certificates or (v) any consent given or other action taken by the Depository as Owner of the Certificates. The District and the Trustee may treat and consider the person in whose name each Certificate is registered as the absolute owner of such Certificate for the purpose of payment of principal, premium, if any, and interest represented by such Certificate, for the purpose of giving notices of prepayment and other matters with respect to such Certificate, for the purpose of registering transfers of ownership of such Certificate, and for all other purposes whatsoever. The Trustee will pay the principal, interest and premium, if any, represented by the Certificates only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal, interest and premium, if any, represented by the Certificates to the extent of the sum or sums so paid. No person other than a Certificate Owner shall receive a Certificate evidencing the obligation of the District to make payments of principal, interest and premium, if any, under this Trust Agreement. Upon delivery by the Depository to the Nominee of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the District shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. To qualify the Certificates for the Depository's book-entry system, the District and the Trustee will execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Certificates. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the District or the Trustee any obligation whatsoever with respect to persons having interests in the Certificates other than the Certificate Owners. Upon the written acceptance by the Trustee, the Trustee will agree to take all action reasonably necessary for all representations of the District in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the District may take any other actions, not inconsistent with this Trust Agreement, to qualify the Certificates for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the Certificates, or (ii) the District determines to terminate the Depository as such, then the District shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the District and the Trustee in the issuance of replacement Certificates by providing the Trustee with a list showing the interests of the Depository System Participants in the Certificates, and by surrendering the Certificates, registered in the name of the Nominee, to the Trustee on or before the date such replacement Certificates are to be issued. The Depository, by accepting delivery of the Certificates, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the District fails to identify another Securities Depository to replace the Depository, then the Certificates shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be

registered in whatever name or names the Owners transferring or exchanging Certificates shall designate, in accordance with the provisions hereof.

If the District determines that it is in the best interests of the beneficial owners of the Certificates that they be able to obtain certificated Certificates, the District may notify the Depository System Participants of the availability of such certificated Certificates through the Depository. In such event, the Trustee will execute, transfer and exchange Certificates as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the District shall cooperate with the Depository in taking appropriate action (i) to make available one or more separate certificates evidencing the Certificates to any Depository System Participant having Certificates credited to its account with the Depository, or (ii) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Certificates, all at the District's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Trust Agreement to the contrary, so long as any Certificate is registered in the name of the Nominee, all payments with respect to principal, interest and premium, if any, represented by such Certificate and all notices with respect to such Certificate shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

SECTION 2.06. *Form and Execution of Certificates*. The Certificates shall be substantially in the form set forth in Appendix B attached hereto and by this reference incorporated herein. The Certificates shall be executed by and in the name of the Trustee by the manual signature of an authorized signatory of the Trustee. If any person whose signature appears on any Certificate ceases to be an authorized signatory before the date of delivery of said Certificate, such signature shall nevertheless be as effective as if such person had remained an authorized signatory until such date.

SECTION 2.07. *Transfer and Exchange*.

(a) Transfer of Certificates. The registration of any Certificate may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by a duly authorized attorney, upon surrender of such Certificate for cancellation at the Trust Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Certificate or Certificates shall be surrendered for registration of transfer, the Trustee will execute and deliver a new Certificate or Certificates representing the same maturity, interest rate and aggregate principal amount, in any authorized denominations. The District shall pay all costs of the Trustee incurred in connection with any such transfer, except that the Trustee may require the payment by the Certificate Owner of any tax or other governmental charge required to be paid with respect to such transfer.

(b) Exchange of Certificates. Certificates may be exchanged at the Trust Office of the Trustee, for a like aggregate principal amount of Certificates representing other authorized denominations of the same interest rate and maturity. The District shall pay all costs of the Trustee incurred in connection with any such exchange, except that the Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

(c) Limitations on Transfer or Exchange. The Trustee may refuse to transfer or exchange either (i) any Certificate during the period established by the Trustee for the selection of Certificates

for prepayment, or (ii) the portion of any Certificate which the Trustee has selected for prepayment under the provisions of Section 4.02.

SECTION 2.08. *Certificates Mutilated, Lost, Destroyed or Stolen*. If any Certificate is mutilated, the Trustee, at the expense of the Owner of such Certificate, shall execute and deliver a new Certificate of like principal amount, interest rate and maturity in replacement for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. The Trustee will cancel and destroy every mutilated Certificate surrendered to it and shall deliver a certificate of destruction to the District at its request. If any Certificate is lost, destroyed or stolen, evidence of such loss, destruction or theft must be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and the District and, if an indemnity satisfactory to the Trustee and the District shall be given, the Trustee, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like principal amount, interest rate and maturity and numbered as the Trustee will determine in lieu of and in replacement for the Certificate so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each replacement Certificate delivered under this Section and of the expenses which may be incurred by the Trustee in carrying out the duties under this Section. Any Certificate issued under the provisions of this Section in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally entitled to the benefits of this Trust Agreement with all other Certificates secured by this Trust Agreement. The Trustee is not required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a replacement for a Certificate which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Certificate upon receipt of indemnity satisfactory to the Trustee and the District.

SECTION 2.09. *Payment*. The Trustee will pay interest represented by the Certificates on each Certificate Payment Date, to the person appearing on the Registration Books as the Owner thereof as of the close of business on the Record Date immediately preceding such Certificate Payment Date, by check mailed to the Owner by first class mail at the Owner's address appearing on the Registration Books. At the written request of the Owner of Certificates in an aggregate principal amount of at least $1,000,000, which written request is on file with the Trustee as of the Record Date preceding any Certificate Payment Date, the Trustee will pay interest represented by the Certificates by wire transfer in immediately available funds to such account in the United States as is specified in the written request. The principal and prepayment price represented by any Certificate at maturity or upon prior prepayment is payable in lawful money of the United States of America upon surrender of such Certificate at the Trust Office of the Trustee. The provisions of this Section are subject in all respects to the provisions of Section 2.05 which shall govern the payment of principal of and interest on the Certificates at all times while they are held in book-entry form.

SECTION 2.10. *Execution of Documents and Proof of Ownership*. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by Certificate Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Certificates. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of Certificates shall be

sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner, attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the persons signing such instruments acknowledged before him the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of authority.

(b) The fact of the ownership of Certificates by any person and the amount, the maturity and the numbers of such Certificates and the date of holding the same shall be proved by the Registration Books.

Nothing contained in this Section 2.10 limits the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which the Trustee may deem sufficient. Any request or consent of the Owner of any Certificate binds every future Owner of the same Certificate in respect of anything done or suffered to be done by the Trustee under such request or consent.

SECTION 2.11. *Registration Books*. The Trustee will keep or cause to be kept sufficient records for the registration and registration of transfer of the Certificates, which shall at all reasonable times upon prior notice be open to inspection by the District, the Corporation during regular business hours; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books, Certificates as hereinbefore provided.

SECTION 2.12. *CUSIP Numbers.* In connection with the original execution and delivery of the Certificates, CUSIP numbers may be assigned to the Certificates (if then generally in use), and, if so, the Trustee shall use such numbers in notices of redemption as a convenience to the Owners; provided that the Trustee shall have no liability for any defect in the CUSIP numbers as they appear on any Certificate, notice or elsewhere, and, provided further that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Certificates or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Certificates, and any such redemption shall not be affected by any defect in or omission of such numbers. The District will promptly notify the Trustee in writing of any change in the CUSIP numbers which are assigned to the Certificates.

ARTICLE III

DISPOSITION OF PROCEEDS; ESTABLISHMENT OF FUNDS

SECTION 3.01. *Application of Proceeds*. At the direction of the District which is hereby given to the Trustee, the Trustee will apply the proceeds of the Certificates in the amount of $_____ (being the par amount of the Certificates net of Original Purchaser's [discount in the amount of $[____]] and

premium paid by the Original Purchaser directly to the Certificate Insurer in the amount of $[____] for the Certificate Insurance Policy, and plus the amount of [original issue premium received on the sale of the Certificates in the amount of $[____]]) in a temporary account called the Proceeds Fund which the Trustee shall establish and maintain, and the Trustee shall forthwith set aside, pay over and deposit such proceeds on the Closing Date as follows (whereupon said temporary account shall be closed):

(a) The Trustee will deposit the amount of $[____] in the Costs of Issuance Fund.

(b) The Trustee will deposit the amount of $[____] in the Project Fund.

The parties hereto acknowledge that on the Closing Date from the proceeds of the Certificates, the Original Purchaser paid on behalf of the District to the Certificate Insurer $[____] as payment of the premium for the Certificate Insurance Policy.

SECTION 3.02. *Costs of Issuance Fund*. The Trustee will establish and maintain a special fund designated as the "Costs of Issuance Fund" to be held by the Trustee in trust for the benefit of the District. The Trustee will disburse amounts in the Costs of Issuance Fund to pay Costs of Issuance from time to time in accordance with written requisitions filed by the District with the Trustee. Each such written requisition must be signed by a District Representative and must state, with respect to each payment to be made thereby, (i) the amounts to be disbursed for payment or reimbursement of Costs of Issuance, (ii) the name and address of the person or persons to whom said amounts are to be disbursed, and (iii) that all amounts to be disbursed are for Costs of Issuance properly chargeable to the Costs of Issuance Fund. Each requisition will be sufficient evidence to the Trustee of the facts stated therein and the Trustee has no duty to confirm the accuracy of such facts. On the date that is 90 days after the Closing Date, the Trustee will transfer any funds remaining in the Costs of Issuance Fund to the Project Fund and the Trustee shall thereupon close the Costs of Issuance Fund.

SECTION 3.03. *Project Fund*. The Trustee will establish and maintain a separate fund to be known as the "Project Fund." Except as otherwise provided herein, moneys in the Project Fund will be used solely for the payment of the Project Costs. The Trustee will disburse moneys in the Project Fund from time to time to pay Project Costs (or to reimburse the District for payment of Project Costs) in accordance with written requisitions filed by the District with the Trustee. Each such written requisition must be signed by a District Representative and must state, with respect to each payment to be made thereby, (i) the name and address of the firm or corporation to whom payment is to be made, (ii) the amount and purpose of the payment and (iii) that each payment constitutes a Project Cost. Each requisition will be sufficient evidence to the Trustee of the facts stated therein and the Trustee has no duty to confirm the accuracy of such facts. The Trustee has no responsibility for payments made in accordance with this Section 3.03. The District shall maintain accurate records showing all disbursements from the Project Fund.

Upon the receipt by the Trustee of a written certificate of a District Representative under Section 3.3(d) of the Installment Sale Agreement, stating that the Project has been substantially completed, the Trustee will withdraw from the Project Fund and deposit in the Certificate Payment Fund all amounts remaining on deposit in the Project Fund, other than amounts estimated by the District (as identified in such written certificate) to be required to pay future Project Costs. Upon the filing with the Trustee of a written certificate of the District stating that no further amounts are intended to be requisitioned from the Project Fund, amounts remaining in the Project Fund will either (a) be retained therein and applied to acquire and construct additional improvements to the Water System in accordance with written requisitions of the District filed with the Trustee for that purpose from time to

time, (b) transferred by the Trustee to the Certificate Payment Fund to be applied to pay the Installment Payments next coming due and payable, or (c) transferred by the Trustee to the Certificate Payment Fund to be applied the prepayment of Installment Payments under Section 7.2 of the Installment Sale Agreement and the corresponding prepayment of the Certificates under Section 4.01(a).

If an Event of Default occurs under the Installment Sale Agreement prior to the closure of the Project Fund by the Trustee, the Trustee will transfer all amounts then remaining on deposit in the Project Fund to the Certificate Payment Fund, to be credited to the payment of the Installment Payment then in default.

SECTION 3.04. *Reserve Fund*.

(a) General Provisions. The Trustee will establish and maintain a special fund designated as the "Reserve Fund" to be held by the Trustee in trust for the benefit of the District and the Owners of the Certificates. Moneys in the Reserve Fund shall be held in trust as a reserve for the payment when due of the Installment Payments on behalf of the District. Semiannually on or prior to each Certificate Payment Date, the Trustee will transfer any moneys in the Reserve Fund in excess of the Reserve Requirement to the Certificate Payment Fund to be credited towards the Installment Payment coming due and payable on such Certificate Payment Date.

(b) Application of Reserve Fund. If three (3) Business Days prior to any Certificate Payment Date the moneys available in the Certificate Payment Fund are not at least equal to the amount of the Installment Payment coming due and payable on such Certificate Payment Date, the Trustee will apply the moneys available in the Reserve Fund to make such payments on behalf of the District by transferring the amount necessary for this purpose to the Certificate Payment Fund. If on any Certificate Payment Date the moneys on deposit in the Reserve Fund and the Certificate Payment Fund (excluding amounts required for payment of principal and interest represented by any Certificates theretofore having come due but not presented for payment) are sufficient to pay all Outstanding Certificates, including all principal and interest, the Trustee will, upon the written request of the District, transfer all amounts then on deposit in the Reserve Fund to the Certificate Payment Fund to be applied for such purpose to the payment of the Installment Payments on behalf of the District. Any amounts remaining on deposit in the Reserve Fund following the discharge of this Trust Agreement under Section 12.01 will be paid to the District.

ARTICLE IV

PREPAYMENT OF CERTIFICATES

SECTION 4.01. *Prepayment*.

(a) Optional Prepayment. The Certificates maturing on or before January 1, 20[__], are not subject to optional prepayment prior to the respective stated maturities. The Certificates maturing on or after January 1, 20[__], are subject to optional prepayment in whole or in part, on any date on or after January 1, 20[__], from prepayments of Installment Payments made at the option of the District under Section 7.2 of the Installment Sale Agreement. Certificates shall be subject to prepayment under this subsection at a prepayment price equal to 100% of the principal amount of Certificates or portions thereof to be prepaid together with accrued interest represented thereby to the prepayment date, without premium. The District will give the Trustee written notice of its intention to exercise its option to prepay the Certificates under this subsection (a) not less than 45 days prior to the prepayment date.

If Certificates are prepaid in part but not in whole, the Trustee will select Certificates for prepayment among maturities on such basis as the District designates in written notice to the Trustee, and by lot within a maturity.

(b) Mandatory Sinking Fund Prepayment. The Certificates maturing on January 1, 20__ ("Term Certificates") are subject to mandatory prepayment in part by lot, at a prepayment price equal to 100% of the principal amount thereof to be prepaid, without premium, in the aggregate respective principal amounts and on January 1 in the respective years as set forth in the following table; *provided, however,* that if some but not all of the Term Certificates have been prepaid under subsection (a) of this Section 4.01, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the Term Certificates so prepaid, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of $5,000 (as set forth in a schedule provided by the District to the Trustee).

Term Certificates Maturing
January 1, 20[__]

Sinking Fund Prepayment Date (January 1)	Principal Amount To Be Prepayment
(maturity)	

(c) Prepayment From Net Proceeds of Insurance, Sale and Condemnation. The Certificates are subject to mandatory prepayment, on any date, in whole, or in part on a pro rata basis among maturities, from the net proceeds of insurance, sale or condemnation credited towards the prepayment of the Installment Payments by the District under Section 7.3 of the Installment Sale Agreement. Certificates are subject to prepayment under this subsection at a prepayment price equal to the principal amount represented thereby to be prepaid, without premium, together with accrued interest represented thereby to the prepayment date.

SECTION 4.02. *Selection of Certificates for Prepayment*. Whenever provision is made herein for the prepayment of Certificates and less than all Outstanding Certificates of any one maturity are called for prepayment, the Trustee will select Certificates for prepayment within such maturity by lot in any manner deemed fair by the Trustee and in accordance with the rules of the Securities Depositories. For the purposes of such selection, Certificates will be deemed to be composed of $5,000 portions, and any such portion may be separately prepaid. The Trustee will promptly notify the District in writing of the Certificates or portions thereof so selected for prepayment. The selection by the Trustee of any Certificates for prepayment is final and conclusive.

SECTION 4.03. *Notice of Prepayment*. When prepayment is authorized or required under Section 4.01(a), the Trustee will give notice of the prepayment of the Certificates on behalf and at the expense of the District. Such notice must state the prepayment date and prepayment price and, if less than all of the then Outstanding Certificates of any maturity are to be called for prepayment, shall designate the numbers of the Certificates to be prepaid by giving the individual number (including the

CUSIP number) of each Certificate or by stating that all Certificates between two stated numbers, both inclusive, have been called for prepayment or by stating that all of the Certificates of one or more maturities have been called for prepayment, and shall require that such Certificates be surrendered on the designated prepayment date at the Trust Office of the Trustee for prepayment at said prepayment price, giving notice also that further interest represented by the Certificates will not accrue from and after the prepayment date. If the funds required to pay the prepayment price are not on deposit at the time notice of such prepayment is sent, the notice shall include a statement to the effect that the prepayment is conditioned upon the receipt by the Trustee of the funds required to pay the prepayment on or before the prepayment date. The notice shall further state that on the specified date there shall become due and payable upon each Certificate, the principal with interest accrued to said date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

At least 20 days but not more than 60 days prior to the prepayment date, the Trustee will mail notice of prepayment by first class mail with postage prepaid, to the Owners of Certificates designated for prepayment at their respective addresses appearing on the Registration Books. In addition, the Trustee will give notice of prepayment by certified, registered or overnight mail to each Securities Depository at least two days prior to such mailing to the Certificate Owners. Such notice shall, in addition to setting forth the above information, set forth, in the case of each Certificate called only in part, the portion of the principal represented thereby which is to be prepaid; *provided, however,* that neither failure to receive such notice so mailed nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such Certificates or the cessation of accrual of interest represented thereby from and after the date fixed for prepayment.

SECTION 4.04. *Partial Prepayment of Certificates*. Upon surrender of any Certificate prepaid in part only, the Trustee will execute and deliver to the Owner thereof, at the expense of the District, a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unprepaid portion of the Certificate surrendered and of the same interest rate and the same maturity.

SECTION 4.05. *Effect of Notice of Prepayment*. Moneys for the prepayment (including the interest to the applicable date of prepayment) of Certificates having been set aside in the Certificate Payment Fund, the Certificates shall become due and payable on the date of such prepayment, and, upon presentation and surrender thereof at the Trust Office of the Trustee, said Certificates will be paid at the unpaid principal amount (or applicable portion thereof) represented thereby plus interest accrued and unpaid to said date of prepayment.

If, on said date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest represented thereby to said date of prepayment, shall be held by the Trustee so as to be available therefor on such date of prepayment, then, from and after said date of prepayment, interest represented by the Certificates shall cease to accrue and become payable. All moneys held by the Trustee for the prepayment of Certificates shall be held in trust for the account of the Owners of the Certificates so to be prepaid, and shall be held by the Trustee in trust uninvested.

All Certificates paid at maturity or prepaid prior to maturity under the provisions of this Article shall be cancelled upon surrender thereof and destroyed under Section 12.09.

SECTION 4.06. *Purchase of Certificates*. In lieu of prepayment of Certificates as provided in this Article, amounts held by the Trustee for such prepayment shall, at the written request of the District Representative received by the Trustee no later than 60 days prior to the prepayment date and with the consent of the Certificate Insurer, be applied by the Trustee to the purchase of Certificates at public or

private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the District may in its discretion direct, but not to exceed the prepayment price which would be payable if such Certificates were prepaid. The aggregate principal amount of Certificates of the same maturity purchased in lieu of prepayment under this Section may not exceed the aggregate principal amount of Certificates of such maturity which would otherwise be subject to such prepayment.

ARTICLE V

INSTALLMENT PAYMENTS; CERTIFICATE PAYMENT FUND

SECTION 5.01. *Assignment of Rights in Installment Sale Agreement*. The Corporation hereby irrevocably transfers, assigns and sets over to the Trustee, without recourse to the Corporation, all of its rights in the Installment Sale Agreement (excepting only the Corporation's rights under Sections 4.7 and 6.4 thereof), including but not limited to all of the Corporation's rights to receive and collect all of Installment Payments and all other amounts required to be deposited in the Certificate Payment Fund. The Trustee hereby accepts such assignment; *provided, however*, that such assignment shall neither create any obligations nor give rise to any duties on the part of the Trustee other than those obligations and duties contained herein and is not liable for any covenants, representations or warranties of the Corporation. All Installment Payments and such other amounts to which the Corporation may at any time be entitled shall be paid directly to the Trustee, and all of Installment Payments collected or received by the Corporation shall be deemed to be held and to have been collected or received by the Corporation as the agent of the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof, and all such Installment Payments and such other amounts shall be forthwith deposited by the Trustee upon the receipt thereof in the Certificate Payment Fund.

SECTION 5.02. *Establishment of Certificate Payment Fund*. The Trustee will establish and maintain a special fund designated as the "Certificate Payment Fund," into which the Trustee will deposit all amounts paid to the Trustee for such purpose under the Installment Sale Agreement. All moneys at any time deposited by the Trustee in the Certificate Payment Fund shall be held by the Trustee in trust for the benefit of the District and the Owners of the Certificates. So long as any Certificates are Outstanding, neither the District nor the Corporation have any beneficial right or interest in the Certificate Payment Fund or the moneys deposited therein, except only as provided in the Installment Sale Agreement or herein, and such moneys shall be used and applied by the Trustee as hereinafter set forth.

SECTION 5.03. *Application of Moneys*. Except as provided in Sections 5.04 and 11.03, the Trustee will apply amounts in the Certificate Payment Fund solely for the purpose of paying the principal and interest represented by the Certificates as the same shall become due and payable, in accordance with the provisions of Article II and Article IV, including the principal amount of any Term Bonds required to be prepaid under Section 4.01(b). If the amounts on deposit in the Certificate Payment Fund are at any time insufficient to pay the amount of principal and interest then due and payable with respect to the Certificates, such amounts shall be applied first, to the payment of interest then due and payable with respect to the Certificates and second, to the payment of principal then due and payable with respect to the Certificates.

SECTION 5.04. *Surplus*. At the written request of the District any surplus remaining in the Certificate Payment Fund, after prepayment and payment of all Certificates and after payment of any fees and expenses then owing to the Certificate Insurer, including all accrued interest (if any) and payment of any applicable fees and expenses to the Trustee, will be withdrawn by the Trustee and remitted to the District.

ARTICLE VI

MONEYS IN FUNDS; INVESTMENT

SECTION 6.01. *Held in Trust.* The moneys and Permitted Investments held by the Trustee under this Trust Agreement are irrevocably held in trust for the benefit of the District and the Owners of the Certificates solely for the purposes herein specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Trust Agreement, and is not subject to levy or attachment or lien by or for the benefit of any creditor of the Corporation, the Trustee, the District or the Owner of any Certificates.

SECTION 6.02. *Investments Authorized.* Upon the written request of the District filed with the Trustee from time to time, moneys held by the Trustee in any fund or account established hereunder shall be invested and reinvested by the Trustee in Permitted Investments which mature not later than the date such moneys are required or estimated by the District to be required to be expended hereunder. If no such written request is so received, the Trustee shall hold such moneys uninvested. Such investments, if registrable, shall be registered in the name of the Trustee, as trustee or in the name of its nominee, and shall be held by the Trustee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section 6.02 and shall be entitled to its customary fee therefor. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as purchaser or agent in the making or disposing of any investment. Whenever in this Trust Agreement any moneys are required to be transferred by the District to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee is not responsible or liable for any loss, tax, fee or other charge suffered or incurred in connection with any investment, reinvestment or liquidation of an investment hereunder.

The District shall invest amounts held by it in any fund or account established hereunder or under the Installment Sale Agreement in any investments which are authorized for the investment of District funds under the laws of the State of California.

SECTION 6.03. *Accounting*. The Trustee shall furnish the District periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the District. Upon the District's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request. The District waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The District further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

SECTION 6.04. *Allocation of Earnings.* Any income, profit or loss on such investments shall be deposited in or charged to the respective funds and accounts from which such investments were made. Notwithstanding the foregoing sentence, however, all income received on the investment of amounts on deposit in the Reserve Fund will be applied as set forth in Section 3.04.

SECTION 6.05. *Valuation and Disposition of Investments.*

(a) Except as otherwise provided in subsection (b) of this Section, all investments of amounts deposited in any fund or account created by or under this Trust Agreement, or otherwise containing gross proceeds of the Certificates (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued (as of the date that valuation is required by this Trust Agreement or the Tax Code) at Fair Market Value as such term is defined in subsection (d) below. The Trustee has no duty in connection with the determination of Fair Market Value other than to follow (i) the investment directions of the District in any written directions of a District Representative, and (ii) its normal practices in the purchase, sale and determining the value of Permitted Investments.

(b) Investments in the Reserve Fund, and investments in any funds or accounts (or portions thereof) that are subject to a yield restriction under the Tax Code and (unless valuation is undertaken at least annually) investments in the Reserve Fund shall be valued at their present value (within the meaning of Section 148 of the Tax Code). The District shall inform the Trustee which funds are subject to a yield restriction.

(c) Except as provided in subsection (b), for the purpose of determining the amount in any fund, the value of Permitted Investments credited to such fund shall be valued by the Trustee at least quarterly at the Fair Market Value thereof. The Trustee may sell or present for prepayment, any Permitted Investment so purchased by the Trustee whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee is not liable or responsible for any loss resulting from any such Permitted Investment.

(d) For purposes of this Section and Section 6.06, the term "Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security – State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the District and any related parties do not own more than a 10% beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

ARTICLE VII

THE TRUSTEE

SECTION 7.01. *Appointment of Trustee*. U.S. Bank Trust Company, National Association is hereby appointed Trustee by the Corporation and the District for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided herein. The District agrees that it will maintain a Trustee having a corporate trust office in California, with a reported capital and surplus of at least $50,000,000, duly authorized to exercise trust powers and subject to supervision or examination by Federal or state authority, so long as any Certificates are Outstanding. If such bank, corporation or trust company publishes a report of condition at least annually under law or to the requirements of any supervising or examining authority above referred to then for the purpose of this Section the combined capital and surplus of such bank, corporation 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.

The Trustee is hereby authorized to pay or prepay the Certificates when duly presented for payment at maturity, or on prepayment, or on purchase by the Trustee as directed by the District prior to maturity in accordance with Section 4.06, and to cancel all Certificates upon payment thereof. The Trustee will keep accurate records of all funds administered by it and of all Certificates paid and discharged. The Trustee will be compensated for its services rendered under the provisions hereof.

SECTION 7.02. *Acceptance of Trusts*. The Trustee hereby accepts the trusts imposed upon it hereby, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth herein, and no implied covenants or obligations shall be read into this Trust Agreement against the Trustee. In case an Event of Default has occurred (which has not been cured or waived), the Trustee may exercise such of the rights and powers vested in it hereby, and shall 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 such person's own affairs.

(b) No provision hereof shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if the repayment of such funds or adequate indemnity against such risk or liability is not assured to it. The Trustee will be entitled to interest on any amounts advanced by it in the performance of its duties hereunder.

(c) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents or receivers and the Trustee is not responsible for any misconduct or negligence on the part of any attorney, agent or receiver appointed with due care by it hereunder. The Trustee will be entitled to advice of counsel of its selection concerning all matters of trust and its duty hereunder and shall be protected in any action taken or suffered by it hereunder in reliance on such advice.

(d) The Trustee is not responsible for the validity hereof or for any recital herein, or in the Certificates, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Certificates issued hereunder or intended to be secured hereby and the Trustee is not bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Corporation or the District under the Installment Sale Agreement. The Trustee is not responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Article VI hereof.

(e) The Trustee is not accountable for the use or application of any Certificates or the proceeds thereof. The Trustee may become the Owner of Certificates secured hereby with the same rights which it would have if not the Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the District with the same rights it would have if it were not the Trustee; and may act as a depository 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 of Certificates, whether or not such committee shall represent the Owners of the majority in aggregate principal amount of the Certificates then Outstanding.

(f) In the absence of negligence or willful misconduct on its part, Trustee shall be protected in acting upon any notice, request, consent, certificate, order, requisition, affidavit, letter, facsimile or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith hereunder on the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Certificate, shall be conclusive and binding upon all future Owners of the same Certificate and upon Certificates issued in exchange therefor or in place thereof.

(g) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee will be entitled to rely upon a certificate signed by a Corporation Representative or a District Representative as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default of which a responsible officer of the Trustee has been given written notice or is deemed to have actual notice, as provided in Section 7.02(i), shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of a Corporation Representative or a District Representative to the effect that an authorization in the form therein set forth has been adopted by the Corporation or the District, as the case may be, as conclusive evidence that such authorization has been duly adopted, and is in full force and effect.

(h) The permissive right of the Trustee to do things enumerated herein shall not be construed as a duty and it is not answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee will extend to its officers, directors, employees and agents.

(i) The Trustee is not required to take notice or be deemed to have notice of any Event of Default hereunder unless a responsible officer of the Trustee is specifically notified in

writing and has actual knowledge of such default by the Corporation, the District or the Owners of at least 25% in aggregate principal amount of Certificates then Outstanding and all notices or other instruments required hereby or by the Installment Sale Agreement to be delivered to the Trustee must, in order to be effective, be delivered at the Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default except as aforesaid.

(j) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, have the right (but not the duty) to inspect the Water System including all books, papers and records of the District pertaining to the Water System and the Certificates, and to take such memoranda from and with regard thereto as may be desired.

(k) The Trustee is not required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(l) Notwithstanding anything elsewhere herein with respect to the execution of any Certificates, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview hereof, the Trustee has the right, but is not required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition so that by the terms hereof required as a condition of such action, by the Trustee deemed desirable for the purpose of establishing any right to the execution of any Certificates, the withdrawal of any cash, or the taking of any other action by the Trustee.

(m) Before taking any action at the direction of the Certificate Owners, the Trustee requires that a satisfactory indemnity acceptable to the Trustee be furnished by the Certificate Owners, or any of them, for the reimbursement of any and all expenses to which it may be put and to protect it against any and all liability, loss and claims except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any such action.

(n) All moneys received by the Trustee will, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. The Trustee has no liability for interest, taxes, fees or other charges on any moneys received hereunder.

(o) The Trustee is not responsible for the sufficiency of the Installment Sale Agreement or its right to receive moneys under the Installment Sale Agreement.

(p) The Trustee is not 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 a majority in aggregate principal amount of the Outstanding Certificates 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, hereunder.

(q) The Trustee is not liable for any error of judgment made in good faith by a responsible officer of the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts relating thereto.

(r) The Trustee has no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Certificates.

(s) The Trustee's rights to immunities and protection from liability hereunder and its rights to payment of its fees and expenses survive its resignation or removal and final payment or discharge of the Certificates.

(t) The Trustee is not liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

SECTION 7.03. *Fees, Charges and Expenses of Trustee*. The Trustee is entitled to payment and reimbursement from the District and the Corporation for fees for its services rendered hereunder and all advances, counsel fees (including expenses) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services as mutually agreed upon in writing. Upon the occurrence of an Event of Default, but only upon such occurrence, the Trustee has a first lien with right of payment prior to payment on account of principal and interest represented by any Certificate upon the amounts held hereunder for the foregoing fees, charges and expenses incurred by it respectively.

SECTION 7.04. *Notice to Certificate Owners of Default*. If an Event of Default occurs of which a responsible officer of the Trustee has been given or is deemed to have actual notice, as provided in Section 7.02(i), then the Trustee will promptly give written notice thereof by first class mail, postage prepaid, to the Owner of each Outstanding Certificate, unless such Event of Default has been cured before the giving of such notice; *provided, however,* that unless such Event of Default consists of the failure by the District to make any Installment Payment when due, the Trustee may elect not to give such notice to the Certificate Owners if and so long as the Trustee in good faith determines that it is in the best interests of the Certificate Owners not to give such notice.

SECTION 7.05. *Removal of Trustee*. The District may, with the written consent of the Certificate Insurer, remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee (a) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority in aggregate principal amount of the Certificates then Outstanding (or their attorneys duly authorized in writing) or (b) if at any time the Trustee ceases to be eligible in accordance with Section 7.01, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal will be accomplished by the giving of 30 days' prior written notice of such removal by the District to the Trustee, whereupon the District shall appoint a successor Trustee in accordance with Section 7.07.

SECTION 7.06. *Resignation by Trustee.* The Trustee and any successor Trustee may at any time resign by giving written notice by registered or certified mail to the District. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the District shall mail notice thereof to the Certificate Owners at their respective addresses set forth on the Registration Books.

SECTION 7.07. *Appointment of Successor Trustee*. If the Trustee is removed or resigns under Sections 7.05 or 7.06, respectively, the District shall promptly appoint a successor Trustee acceptable to the Certificate Insurer. If the District for any reason whatsoever fails to appoint a successor Trustee within 30 days following the delivery to the Trustee of the instrument described in Section 7.05 or within 30 days following the receipt of notice by the District under Section 7.06, at the expense of the District the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of Section 7.01. Any such successor Trustee appointed by such court shall become the successor Trustee hereunder notwithstanding any action by the District purporting to appoint a successor Trustee following the expiration of such 30 day period.

SECTION 7.08. *Merger or Consolidation*. Any company or association into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company or association to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company or association shall be eligible under Section 7.01, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

SECTION 7.09. *Concerning any Successor Trustee*. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Corporation and the District an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the written request of the Corporation, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee hereunder to its successor. Should any instrument in writing from the Corporation be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Corporation.

SECTION 7.10. *Non-Liability of Trustee*. The recitals, statements and representations by the District and the Corporation contained herein or in the Certificates shall be taken and construed as made by and on the part of the District and the Corporation, as the case may be, and not by the Trustee, and the Trustee has no responsibility or obligation for the correctness of any thereof.

The Trustee makes no representation or warranty, express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the District of the Water System. In no event shall the Trustee be liable for special, indirect, punitive or consequential damages in connection with or arising from the Installment Sale Agreement for the existence, furnishing or use of the Water System.

SECTION 7.11. *Actions Through Agents.* The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder, and the Trustee is not answerable for the negligence or willful misconduct of any such attorney, agent, or receiver selected by it with reasonable care. The Trustee is not answerable for the exercise of any

discretion or power under this Trust Agreement or for anything whatever in connection with the funds and accounts established hereunder, except only for its own negligence or willful misconduct.

SECTION 7.12. *Nature of Trust Engagement*. The Trustee undertakes to perform such duties and only such duties as are specifically set forth herein and no implied covenants or obligations shall be read into the Trust Agreement against the Trustee. In accepting the trusts hereby created, the Trustee acts solely as Trustee and not in its individual capacity and all persons, including without limitation the Certificate Owners, the District and the Corporation having any claim against the Trustee arising from the Trust Agreement shall look only to the funds and accounts hereunder for payment except as otherwise provided herein. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations represented by the Certificates.

ARTICLE VIII

MODIFICATION OR AMENDMENT OF AGREEMENTS

SECTION 8.01. *Amendments Permitted Without Consent of Owners*. This Trust Agreement and the rights and obligations of the Owners of the Certificate, and the Installment Sale Agreement and the rights and obligations of the respective parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any of the Certificate Owners and the Certificate Insurer, only to the extent permitted by law and only for any one or more of the following reasons:

(a) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein reserved to the District,

(b) to cure, correct or supplement any ambiguous or defective provision contained herein or therein,

(c) in any respect whatsoever in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which do not, in the opinion of Special Counsel, materially adversely affect the interests of the Owners of the Certificates, or

(d) to provide for matters relating to the issuance of Parity Debt.

Any such supplemental agreement entered into under this Section 8.01 will become effective upon execution and delivery by the parties hereto or thereto as the case may be. The Trustee will mail a notice thereof to S&P at least 15 days prior to the effective date of the supplement agreement.

SECTION 8.02. *Amendments Permitted With Consent of Owners*. Except as permitted under Section 8.01, this Trust Agreement and the rights and obligations of the Owners of the Certificates, and the Installment Sale Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which will become effective when the written consents of the Certificate Insurer and the Owners of a majority in aggregate principal amount of the Certificates then Outstanding have been filed with the Trustee.

No modification or amendment under this Section may (a) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or

extending the time of payment of interest, or reducing the amount of principal thereof, without the express consent of the Owner of such Certificate, or (b) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Installment Sale Agreement, without the consent of the Owners of 100% in aggregate principal amount of the Outstanding Certificates, or (c) modify any of the rights or obligations of the Trustee without its written assent thereto.

Any such supplemental agreement may not become effective unless there is filed with the Trustee the written consents of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding and the Trustee has given the notice required below. Notice of proposed execution shall be prepared by the District. Each such consent shall be effective only if accompanied by proof of ownership of the Certificates for which such consent is given, which proof shall be such as is permitted by Section 2.10. Any such consent shall be legal, valid and binding upon the Owner of the Certificate giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Certificates have filed their consents to such supplemental agreement, the Trustee will mail a notice thereof to (a) the Owners of the Certificates in the manner hereinbefore provided in this Section for the mailing of such supplemental agreement of the notice of adoption thereof, and (b) S&P, which notice to S&P must be mailed at least l5 days prior to the effective date of the supplement agreement. The notice mailed under the preceding sentence must state in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Certificates and will be effective as provided in this Section (but failure to mail copies of said notice will not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by this Section to be filed with the Trustee, shall be conclusive proof of the matters therein stated. Such supplemental agreement shall become effective and shall be deemed conclusively binding upon the parties hereto, the Owners of all Certificates at the expiration of 60 days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such 60 day period.

SECTION 8.03. *Effect of Supplemental Agreement*. From and after the time any supplemental agreement becomes effective under this Article, this Trust Agreement or the Installment Sale Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Certificates Outstanding, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental agreement shall be deemed to be part of the terms and conditions of this Trust Agreement or the Installment Sale Agreement for any and all purposes.

SECTION 8.04. *Endorsement or Replacement of Certificates Delivered After Amendments*. The Trustee may determine that Certificates shall bear a notation, by endorsement or otherwise, in form approved by the Trustee, as to such action. In that case, upon demand of the Owner of any Certificate Outstanding at such effective date and presentation of such Owner's Certificate for the purpose at the Trust Office of the Trustee, a suitable notation shall be made on such Certificate. The Trustee may determine that the delivery of substitute Certificates, so modified as in the opinion of the Trustee is necessary to conform to such Certificate Owners' action, which substitute Certificates shall thereupon

be prepared, executed and delivered at the expense of the District. In that case, upon demand of the Owner of any Certificate then Outstanding, such substitute Certificate shall be exchanged at the Trust Office of the Trustee, without cost to such Owner, for a Certificate of the same character then Outstanding, upon surrender of such Outstanding Certificate.

SECTION 8.05. *Amendatory Endorsement of Certificates*. The provisions of this Article do not prevent any Certificate Owner from accepting any amendment as to the particular Certificates held by such Owner, provided that proper notation thereof is made on such Certificates.

SECTION 8.06. *Notice to Rating Agency*. The District shall send copies of any proposed amendment or modification hereof to S&P at least 10 days prior to the effective date of any such amendment or modification.

ARTICLE IX

OTHER COVENANTS

SECTION 9.01. *Compliance With and Enforcement of Installment Sale Agreement*. The District covenants and agrees with the Trustee, for the benefit of the Owners of the Certificates, to perform all obligations and duties imposed on it under the Installment Sale Agreement. The District will 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 Installment Sale Agreement by the Corporation thereunder.

SECTION 9.02. *Observance of Laws and Regulations*. The District will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States, or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the District, including its right to exist and carry on business as a public agency, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

SECTION 9.03. *Recordation and Filing*. The District shall record and file all such documents as may be required by law (and shall take all further actions which may be necessary or be reasonably required by the Trustee), all in such manner, at such times and in such places as may be required by law in order fully to preserve, protect and perfect the security of the Trustee and the Certificate Owners.

SECTION 9.04. *Tax Covenants*.

(a) Private Business Use Limitation. The District will ensure that the proceeds of the Certificates are not used in a manner which would cause any of the obligations of the District under the Installment Sale Agreement to become "private activity bonds" under and within the meaning of Section 141(a) of the Tax Code.

(b) Federal Guarantee Prohibition. The District will not take any action or permit or suffer any action to be taken if the result of the same would be to cause the obligations of the District under

the Installment Sale Agreement to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The District will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Certificates or of any other obligations which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the obligations of the District under the Installment Sale Agreement to be "arbitrage bonds" within the meaning of Section 148(a) of the Tax Code.

(d) Maintenance of Tax-Exemption. The District shall take all actions necessary to assure the exclusion of interest represented by the Certificates from the gross income of the Owners of the Certificates to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

(e) Rebate of Excess Investment Earnings to United States. The District will calculate or cause to be calculated the Excess Investment Earnings in all respects at the times and in the manner required under the Tax Code. The District will pay the full amount of Excess Investment Earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code. Such payments will be made by the District from any source of legally available funds of the District.

The District will keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Certificates, records of the determinations made under this subsection (e). In order to provide for the administration of this subsection (e), the District may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the District may deem appropriate. The Trustee has no duty or obligation to monitor or enforce compliance by the District of any of the requirements herein.

SECTION 9.05. *Continuing Disclosure*. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Certificate executed by the District as of the Closing Date, as originally executed and as it may be amended from time to time in accordance with its terms. Notwithstanding any other provision of this Trust Agreement, failure of the District to comply with such Continuing Disclosure Certificate shall not constitute an Event of Default; *provided, however*, that any Participating Underwriter (as such term is defined in such Continuing Disclosure Certificate) or any Owner or beneficial owner of the Certificates may take such actions as may be necessary and appropriate to compel performance by the District of its obligations under this Section, including seeking mandate or specific performance by court order.

SECTION 9.06. *Provisions Relating to Certificate Insurance Policy.* So long as the Certificate Insurance Policy remains in effect, the District and the Trustee shall comply with all of the terms and provisions set forth in Appendix C relating to the Certificate Insurer and the Certificate Insurance Policy. Such provisions are hereby incorporated into this Trust Agreement by this reference, and shall control and supersede any conflicting or inconsistent provisions in this Trust Agreement or the Installment Sale Agreement.

SECTION 9.07. *Further Assurances*. The Corporation and the District will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and of the Installment Sale

Agreement, and for the better assuring and confirming unto the Owners of the Certificates the rights and benefits provided herein.

ARTICLE X

LIMITATION OF LIABILITY

SECTION 10.01. *Limited Liability of District and Corporation*. Except for the payment of Installment Payments when due in accordance with the Installment Sale Agreement and the performance of the other covenants and agreements of the District contained in the Installment Sale Agreement and herein, the District has no pecuniary obligation or liability to the Corporation, the Trustee or the Owners of the Certificates with respect hereto or the terms, execution, delivery or transfer of the Certificates, or the distribution of Installment Payments to the Owners by the Trustee, except as expressly set forth herein.

The Corporation has no pecuniary obligation or liability to the District or the Trustee, or to any of the Owners of the Certificates, with respect to the performance by the District of its obligations under the Installment Sale Agreement or this Trust Agreement, with respect hereto or the terms, execution, delivery or transfer of the Certificates, or with respect to the distribution of Installment Payments to the Owners by the Trustee.

SECTION 10.02. *No Liability for Trustee Performance*. Neither the District nor the Corporation have any obligation or liability to any of the other parties or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it hereunder.

SECTION 10.03. *Indemnification of Corporation and Trustee*. To the extent permitted by law, the District shall indemnify the Corporation and Trustee, and their respective officers, agents and employees, against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of or in connection with any of the following: (a) the failure by the District to observe and perform any of its obligations under the Installment Sale Agreement, (b) the Trustee's exercise and performance of its powers and duties hereunder, or (c) the execution, delivery and sale of the Certificates.

No indemnification will be made under this Section or elsewhere herein for willful misconduct or negligence hereunder by the Trustee or the Corporation, or their respective officers, agents, employees, successors or assigns. The District's obligations under this Section shall remain valid and binding notwithstanding maturity and payment of the Certificates and the resignation or removal of the Trustee.

SECTION 10.04. *Opinion of Counsel*. Before being required to take any action, the Trustee may require an opinion of counsel acceptable to the Trustee, or an opinion of Special Counsel acceptable to the Trustee with respect to any federal tax matters, or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, Trustee shall be absolutely protected in relying on any such opinion or certificate obtained by the Trustee.

SECTION 10.05. *Limitation of Rights to Parties and Certificate Owners*. Nothing herein or in the Certificates expressed or implied is intended or shall be construed to give any person other than the District, the Corporation, the Certificate Insurer, the Trustee and the Owners of the Certificates, any

legal or equitable right, remedy or claim under or in respect hereof or any covenant, condition or provision hereof; and all such covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the District, the Corporation, the Certificate Insurer, the Trustee and the Certificate Owners.

ARTICLE XI

EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

SECTION 11.01. *Assignment of Rights*. Without limiting Section 5.01, the Corporation hereby transfers, assigns and sets over to the Trustee all of the Corporation's rights in and to the Installment Sale Agreement (excepting only the Corporation's rights under Sections 4.7 and 6.4 thereof), including without limitation all of the Corporation's rights to exercise such rights and remedies conferred on the Corporation under the Installment Sale Agreement as may be necessary or convenient (a) to enforce payment of the Installment Payments and any other amounts required to be deposited in the Certificate Payment Fund, and (b) otherwise to exercise the Corporation's rights and take any action to protect the interests of the Trustee or the Certificate Owners upon the occurrence of an Event of Default.

SECTION 11.02. *Remedies*. If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding the Trustee (to the extent indemnified as provided herein) shall, exercise any and all remedies available under law or granted under the Installment Sale Agreement.

Notwithstanding any other provisions of this Trust Agreement or in the Installment Sale Agreement, the Certificate Insurer shall have the right, so long as it is not in payment default under the Certificate Insurance Policy, to direct the remedies to be taken upon any Event of Default hereunder, and the Certificate Insurer's consent shall be required for remedial action taken by the Trustee or the Corporation hereunder.

SECTION 11.03. *Application of Funds*. All moneys received by the Trustee under any right given or action taken under the provisions of this Article XI or Article VI of the Installment Sale Agreement and any other funds then held by the Trustee shall be applied by the Trustee in the following order:

> First, to the payment of the fees, costs and expenses of the Trustee in declaring and enforcing such Event of Default and in the performance of its powers and duties under this Trust Agreement including reasonable compensation to its agents, attorneys and counsel, and then to the Certificate Owners in declaring and enforcing an Event of Default, including compensation to their agents, attorneys and counsel;
>
> Second, to the payment of the whole amount then owing and unpaid with respect to the Certificates for principal and interest, with interest on the overdue principal and installments of interest at the Overdue Rate (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount

so owing and unpaid with respect to the Certificates, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Third, to the payment of amounts due and owing to the Certificate Insurer in respect of the Certificate Insurance Policy not paid pursuant to paragraphs First and Second above.

SECTION 11.04. *Institution of Legal Proceedings*. If one or more Events of Default shall happen and be continuing, the Trustee may, and upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Certificates by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee will deem most effectual in support of any of its rights or duties hereunder.

SECTION 11.05. *Non-waiver*. Nothing in this Article XI or in any other provision hereof or in the Certificates, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay or prepay the Installment Payments as provided in the Installment Sale Agreement, or affect or impair the right of action, which is also absolute and unconditional, of the Certificate Owners to institute suit to enforce and collect such payment. No delay or omission of the Trustee or any Owner of any of the Certificates to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by this Article to the Trustee or the Owners of Certificates may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Certificate Owners.

SECTION 11.06. *Remedies Not Exclusive*. No remedy herein conferred upon or reserved to the Trustee or the Certificate Owners is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

SECTION 11.07. *Power of Trustee to Control Proceedings*. If the Trustee, upon the happening of an Event of Default, has taken any action, by judicial proceedings or otherwise, under its duties hereunder, whether upon its own reasonable judgment or upon the request of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, it has full power, in the exercise of its reasonable judgment for the best interests of the Owners of the Certificates, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action.

SECTION 11.08. *Limitation on Certificate Owners' Right to Sue*. No Owner of any Certificate issued hereunder has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Trust Agreement, unless:

(a) such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default hereunder;

(b) the Owners of a majority in aggregate principal amount of all the Certificates then Outstanding have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name;

(c) the Owners have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and

(d) the Trustee has refused or omitted to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Certificates of any remedy hereunder; it being understood and intended that no one or more Owners of Certificates has any right in any manner whatever by its or their action to enforce any right hereunder, except in the manner herein provided, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Certificates (it being understood that the Trustee does not have an affirmative duty to ascertain whether or not such actions or forbearances are unduly prejudicial to such Owners).

The right of any Owner of any Certificate to receive payment of said Owner's direct, undivided fractional interest in the Installment Payments as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision hereof.

ARTICLE XII

MISCELLANEOUS

SECTION 12.01. *Discharge of this Trust Agreement*. If and when the obligations represented by any Outstanding Certificates are paid and discharged in any one or more of the following ways:

(a) by paying or causing to be paid the principal and interest represented by such Certificates Outstanding, as and when the same become due and payable; or

(b) by irrevocably depositing with the Trustee or any other fiduciary, security for the payment of Installment Payments relating to such Certificates as more particularly described in Section 7.1 of the Installment Sale Agreement, said security to be held by the Trustee on behalf of the District to be applied by the Trustee or by such other fiduciary to pay or prepay such Installment Payments as the same become due, under Section 7.1 of the Installment Sale Agreement;

then, notwithstanding that such Certificates have not been surrendered for payment, all rights hereunder of the Owners of such Certificates and all obligations of the Corporation, the Trustee and the District with respect to such Certificates shall cease and terminate, except only the obligations of the Trustee under Sections 2.07 and 2.08, and the obligation of the Trustee to pay or cause to be paid,

from Installment Payments paid by or on behalf of the District from funds deposited under the preceding paragraph (b) of this Section, to the Owners of such Certificates not so surrendered and paid all sums represented thereby when due and in the event of deposits under the preceding paragraph (b), such Certificates shall continue to represent direct, undivided fractional interests of the Owners thereof in the Installment Payments.

Any funds held by the Trustee, at the time of discharge of the obligations represented by all Outstanding Certificates as a result of one of the events described in the preceding paragraphs (a) or (b) of this Section, which are not required for the payment to be made to the Certificate Owners, shall, upon payment in full of all fees and expenses of the Trustee (including attorneys' fees and expenses) then due, be paid over to the District.

If the principal and interest represented by the Certificates are paid by the Certificate Insurer under the Certificate Insurance Policy, all covenants, agreements and other obligations of the District under the Installment Sale Agreement and this Trust Agreement will continue to exist and the Certificate Insurer shall be subrogated to the rights of the Certificate Owners.

SECTION 12.02. *Notices*. Any notice, request, complaint, demand or other communication hereunder shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by electronic transmission, at its address set forth below. Notice shall be effective upon actual receipt. The District, the Corporation, the Trustee may, by written notice to the other parties, from time to time modify the address to which communications are to be given hereunder.

If to the District:	Diablo Water District 87 Carol Lane Oakley, California 94561 Attention: General Manager
If to the Corporation:	CSDA Finance Corporation [c/o California Special Districts Association] 1112 I Street, Suite 200 Sacramento, California 95814 Attention: [____]
If to the Trustee:	U.S. Bank Trust Company, National Association One California Street, Suite 1000 San Francisco, California 94111 Attention: [____]
If to the Certificate Insurer:	[____] [____] Attention: [____] Telephone: [____] Telecopier: [____] Email: [____]

The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The party providing

electronic instructions agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

SECTION 12.03. *Records*. The Trustee will keep complete and accurate records of all moneys received and disbursed hereunder, which shall be available for inspection by the District, the Corporation and any Owner, or the agent of any of them, upon prior written request during regular business hours.

SECTION 12.04. *Disposition of Unclaimed Funds*. Notwithstanding any provisions hereof, but subject to any applicable laws of the State of California relating to the escheat of funds or property, any moneys held by the Trustee for the payment of the principal or interest represented by any Certificates and remaining unclaimed for two years after the principal represented by all of the Certificates has become due and payable (whether at maturity or upon call for prepayment or by acceleration as provided herein), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Certificates became due and payable, shall be repaid to the District free from the trusts created hereby upon receipt of an indemnification agreement acceptable to the District and the Trustee indemnifying the Trustee with respect to claims of Owners of Certificates which have not yet been paid, and all liability of the Trustee with respect to such moneys shall thereupon cease; *provided, however,* that before the repayment of such moneys to the District as aforesaid, the Trustee may (at the cost of the District) first mail, by first class mail postage prepaid, to the Owners of Certificates which have not yet been paid, at the respective addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Certificates so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof. Any moneys so held by the Trustee will be held uninvested.

SECTION 12.05. *Governing Law*. This Trust Agreement shall be construed and governed in accordance with the laws of the State of California.

SECTION 12.06. *Binding Effect; Successors; Benefits Limited to Parties*. This Trust Agreement is binding upon and inures to the benefit of the parties, and their respective successors and assigns. Whenever herein either the Corporation, the District, the Trustee is named or referred to, such reference includes the successors or assigns thereof, and all the covenants and agreements contained herein by or on behalf of the Corporation, the District, the Trustee will bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not. Nothing herein expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the Corporation, the District, the Trustee or the Certificate Owners, any right, remedy or claim hereunder or by reason hereof or of any covenant, condition or stipulation contained herein. All covenants, stipulations, promises and agreements contained herein by or on behalf of the Corporation or the District shall be for the sole and exclusive benefit of the Corporation, the District, the Trustee and the Certificate Owners.

SECTION 12.07. *Execution in Counterparts*. This Trust Agreement may be executed in several counterparts, each of which is an original and all of which constitute but one and the same agreement. The exchange of copies of this Trust Agreement and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Indenture as to the parties hereto and may be used in lieu of the original Trust Agreement and signature pages for all purposes.

SECTION 12.08. *Delivery of Cancelled Certificates*. Whenever provision is made herein for the surrender to or cancellation by the Trustee of any Certificates, the Trustee will cancel and destroy such Certificates and shall deliver a certificate of destruction with respect thereto to the District.

SECTION 12.09. *Corporation and District Representatives*. Whenever under the provisions hereof the approval of the Corporation or the District is required, or a written certificate, requisition, direction or order is required to be delivered by the District or the Corporation to the Trustee, or the Corporation or the District is required to take some action at the request of the other, such approval or such request shall be given, and such certificate, requisition, direction or order shall be executed, for the Corporation by a Corporation Representative and for the District by a District Representative, and any party hereto shall be authorized to rely upon any such approval, request, certificate, requisition, direction or order.

SECTION 12.10. *Headings*. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, are solely for convenience of reference and do not affect the meaning, construction or effect hereof.

SECTION 12.11. *Waiver of Notice*. Whenever the giving of notice by mail or otherwise is required hereunder, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice are not a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 12.12. *Severability of Invalid Provisions*. In case any one or more of the provisions contained herein or in the Certificates shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision hereof or thereof, and this Trust Agreement and the Certificates shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Trust Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Certificates irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases hereof may be held illegal, invalid or unenforceable.

SECTION 12.13. *Force Majeure*. In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, pandemics, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

SECTION 12.14. *U.S.A. Patriot Act*. The parties hereto acknowledge that in accordance with Section 326 of the U.S.A. Patriot Act, the Trustee, like all financial institutions and in order to help fight the funding of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Trustee. The parties to this Trust Agreement agree that they will provide the Trustee with such information as it may request in order for the Trustee to satisfy the requirements of the U.S.A. Patriot Act.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Trust Agreement as of the date and year first above written.

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

CSDA FINANCE CORPORATION

By: _____
[Treasurer]

DIABLO WATER DISTRICT

By: _____
Daniel Muelrath
General Manager

APPENDIX A

DEFINITIONS

Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Trust Agreement have the respective meanings specified in this Appendix A.

"Additional Payments" means the amounts payable by the District under Section 4.7 of the Installment Sale Agreement.

"Additional Revenues" means, with respect to the issuance of any Parity Debt, any or all of the following amounts:

(a) An allowance for Net Revenues from any additions or improvements to or extensions of the Water System to be constructed by the District from the proceeds of such Parity Debt, or which have been previously constructed by the District from any other source of funds but which were not in service during any part of the preceding Fiscal Year, in an amount equal to 80% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following the issuance of the proposed Parity Debt, all as shown by the certificate or opinion of a qualified independent consultant employed by the District.

(b) An allowance for Net Revenues arising from any increase in the charges made for service from the Water System which has been adopted prior to the incurring of such Parity Debt, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of the most recent completed Fiscal Year or during any more recent 12-month period selected by the District, all as shown by the certificate or opinion of a qualified independent consultant employed by the District.

"Special Counsel" means (a) Anzel Galvan LLP, or (b) any other attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income for purposes of federal income taxation under Section 103 of the Tax Code.

"Business Day" means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State of California or in any other state in which the Trust Office of the Trustee is located, are closed.

"Certificate Insurance Policy" means the Municipal Bond Insurance Policy issued by the Certificate Insurer with respect to the Certificates.

"Certificate Insurer" means [INSURER], its successors and assigns, as issuer of the Certificate Insurance Policy.

"Certificate Payment Date" means, with respect to any Certificate, [July 1, 2026], and each January 1 and July 1 thereafter to and including the date of maturity or the date of prepayment of such Certificate.

"Certificate Payment Fund" means the fund by that name established and held by the Trustee under Section 5.02.

"Certificates" means the $[____] aggregate principal amount of certificates of participation, designated the Diablo Water District 2026 Water Revenue Certificates of Participation, executed and delivered and at any time Outstanding hereunder.

"Closing Date" means [January __, 2026], being the day when the Certificates, duly executed by the Trustee, are delivered to the Original Purchaser.

"Connection Charges" means all amounts levied by the District as a fee for connecting to the Water System, as such fee is established from time to time under the applicable laws of the State of California, including the fee identified by the District as a facilities reserve charge.

"Corporation" means CSDA Finance Corporation, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California.

"Corporation Representative" means the [President, Treasurer or Secretary] of the Corporation, or any other person authorized by resolution of the Board of Directors of the Corporation to act on behalf of the Corporation under or with respect hereto.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the District relating to the execution, sale and delivery of the Certificates. Costs of Issuance include (but are not limited to) the following: filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee and the Escrow Agent (which may include legal fees and the first annual administration fee), financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates, premiums payable to the Certificate Insurer for the Certificate Insurance Policy, and any charges and fees in connection with the foregoing.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee under Section 3.02.

"Deposit Date" means, with respect to any Certificate Payment Date, the 5th Business Day preceding such Certificate Payment Date, being the date by which the District is required to deposit the Installment Payments coming due and payable on such Certificate Payment Date with the Trustee.

"Depository System Participant" means any participant in the Depository's book-entry system.

"District" means the Diablo Water District, a county water district duly organized and existing under the County Water District Law of the State of California, constituting Division 12 of the Water Code of the State of California.

"District Representative" means the President or General Manager of the District, or any other person authorized by resolution of the Board of Directors of the District to act on behalf of the District under or with respect to the Installment Sale Agreement and this Trust Agreement.

"DTC" or "Depository" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Excess Investment Earnings" means an amount required to be rebated to the United States of America under Section 148(f) of the Tax Code due to investment of gross proceeds of the Certificates at a yield in excess of the yield represented by the Certificates.

"Event of Default" means an event of default under the Installment Sale Agreement, as described in Section 6.1 thereof.

"Federal Securities" means: (a) non-callable direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America; (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America; (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America.

"Fiscal Year" means the 12-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period selected by the District as its fiscal year.

"Gross Revenues" means all gross charges received for, and all other gross income and receipts derived by the District from, the ownership and operation of the Water System or otherwise arising from the Water System, including but not limited to investment earnings thereon, and including Connection Charges. "Gross Revenues" do not include (a) the proceeds of any *ad valorem* property taxes levied for the purpose of paying general obligation bonds of the District relating to the Water System, and (b) the proceeds of any special assessments or special taxes levied upon real property within any improvement district for the purpose of paying special assessment bonds or special tax obligations of the District relating to the Water System.

"Independent Accountant" means any independent certified public accountant or firm of independent certified public accountants appointed and paid by the District, and who, or each of whom (a) is in fact independent and not under domination of the District; (b) does not have any substantial interest, direct or indirect, with the District; and (c) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make annual or other audits of the books of or reports to the District.

"Installment Payment" means all payments required to be paid by the District on any date under Section 4.1 of the Installment Sale Agreement, including any amounts payable upon delinquent installments and including any prepayment thereof under Section 7.2 or 7.3 of the Installment Sale Agreement.

"Installment Sale Agreement" means the Installment Sale Agreement, dated as of January 1, 2026, between the District and the Corporation, together with any duly authorized and executed amendments thereto.

"Late Payment Rate" means the lesser of (A) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such changes are announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Certificates, and (B) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such bank, banking association or trust company bank as the Certificate Insurer in its sole and absolute discretion shall specify.

"Maximum Annual Debt Service" means, as of the date of any calculation, the maximum sum obtained for the current or any future Fiscal Year so long as any of the Certificates remain Outstanding by totaling the aggregate amount of principal of and interest on all outstanding issues of Parity Debt (including any Parity Debt which is being issued as of such date) coming due and payable in such Fiscal Year, except to the extent payable from any security deposit under documents authorizing the issuance thereof.

"Net Revenues" means, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

"Nominee" means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.05(a).

"Operation and Maintenance Costs" means the reasonable and necessary costs and expenses paid by the District for maintaining and operating the Water System, including but not limited to (a) the cost of acquiring water, (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water System in good repair and working order, and (c) the reasonable administrative costs of the District attributable to the operation and maintenance of the Water System; but in all cases excluding (i) interest expense relating to obligations of the District with respect to the Water System, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

"Original Purchaser" means Oppenheimer & Co. Inc., the original purchaser of the Certificates.

"Outstanding", when used as of any particular time with respect to Certificates, means all Certificates theretofore executed and delivered by the Trustee hereunder except (a) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (b) Certificates paid and discharged in accordance with Section 12.01, provided that, if such Certificates are to be prepaid prior to maturity, notice of such prepayment has been given as provided in Section 4.03 or provision satisfactory to the Trustee has been made for the giving of such notice; and (c) Certificates in lieu of or in exchange for which other Certificates have been executed and delivered by the Trustee under Section 2.08.

"Overdue Rate" means the highest rate of interest represented by any of the Outstanding Certificates.

"Owner", when used with respect to a Certificate, means the person in whose name the ownership of such Certificate shall be registered on the Registration Books.

"Parity Debt Documents" means, collectively, the 2019 Installment Sale Agreement, the 2022 Installment Sale Agreement and any indenture of trust, trust agreement or other document authorizing the issuance of any other Parity Debt or any securities which evidence such other Parity Debt.

"Parity Debt" means the (i) the obligations of the District under the 2019 Installment Sale Agreement, (ii) the obligations of the District under the 2022 Installment Sale Agreement, and (iii) any bonds, notes, leases, installment sale agreements or other obligations of the District payable from and secured by a pledge of and lien upon any of the Net Revenues entered into or issued after the date hereof in accordance with Section 5.7 of the Installment Sale Agreement.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

(a) Federal Securities;

(b) Any direct or indirect obligations of an agency or department of the United States of America whose obligations represent the full faith and credit of the United States of America, or which are rated A or better by S&P.

(c) Interest-bearing deposit accounts (including certificates of deposit) in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation or fully collateralized by Federal Securities.

(d) Commercial paper rated in the highest short-term rating category by S&P.

(e) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating in the highest rating category of S&P.

(f) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, excluding those with a floating net asset value (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services).

(g) Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by S&P, or (b) fully secured as to the payment of principal and interest by Federal Securities.

(h) Obligations issued by any corporation organized and operating within the United States of America having assets in excess of $500,000,000, which obligations are rated A or better by S&P.

(i) Bonds or notes issued by any state or municipality which are rated by S&P in one of the two highest rating categories assigned by S&P.

(j) Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated A or better by S&P at the time of initial investment, by the terms of which all amounts invested thereunder are required to be withdrawn and paid to the Trustee in the event such rating at any time falls below A.

(k) The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

"Project" means the facilities, improvements and other property described more fully in Appendix B attached to the Installment Sale Agreement.

"Project Costs" means, with respect to the Project, all costs of the acquisition, construction and installation thereof which are paid from moneys on deposit in the Project Fund, including but not limited to:

(a) all costs required to be paid to any person under the terms of any agreement for or relating to the acquisition, construction and installation of the Project;

(b) obligations incurred for labor and materials in connection with the acquisition, construction and installation of the Project;

(c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the acquisition, construction and installation of the Project;

(d) all costs of engineering and architectural services, including the actual out-of-pocket costs for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the Project;

(e) any sums required to reimburse the District for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the acquisition, construction and installation of the Project;

(f) all financing costs incurred in connection with the acquisition, construction and installation of such Project; and

(g) the interest components of the Installment Payments during the period of acquisition, construction and installation of the Project.

"Project Fund" means the fund by that name established and held by the Trustee under Section 3.03.

"Rate Stabilization Fund" means the fund by that name held and administered by the District in accordance with Section 4.5 of the Installment Sale Agreement.

"Record Date" means the close of business on the 15th day of the month preceding each Certificate Payment Date, whether or not such 15th day is a Business Day.

"Registration Books" means the records maintained by the Trustee under Section 2.11 for registration of the ownership and transfer of ownership of the Certificates.

"Reserve Fund" means the fund by that name established and held by the Trustee under Section 3.04.

"Reserve Requirement" means, as of the date of calculation, an amount equal to the lesser of (a) 10% of the original principal amount of the Certificates, (b) the maximum amount of the Installment Payments payable by the District under the Installment Sale Agreement in the current or any future Fiscal Year, or (c) 125% of the average annual Installment Payments coming due in each remaining Fiscal Year. The Reserve Requirement as of the Closing Date is equal to $[____].

"S&P" means Standard & Poor's Ratings Services, its successors and assigns.

"Securities Depositories" means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District designates in written notice filed with the Trustee.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official guidance published, under the Tax Code.

"Term" means, when used with respect to the Installment Sale Agreement, the time during which the Installment Sale Agreement is in effect, as provided in Section 3.4 thereof.

"Term Certificates" means the Certificates maturing on [January 1, 20__] .

"Trust Agreement" means this Trust Agreement, together with any amendments or supplements hereto permitted to be made hereunder.

"Trust Office" means, with respect to the Trustee, the corporate trust office of the Trustee at its address set forth in Section 12.02 or at such other or additional offices as may be specified by the Trustee in writing to the District .

"Trustee" means U.S. Bank Trust Company, National Association, or any successor thereto acting as Trustee hereunder.

"2019 Installment Sale Agreement" means the Loan and Installment Sale Agreement, dated as of November 1, 2019, between the District and Public Property Financing Corporation of California.

"2022 Installment Sale Agreement" means the Loan and Installment Sale Agreement, dated as of November 1, 2019, between the District and Capital One Public Funding, LLC.

"Water Fund" means the fund established and held by the District with respect to the Water System for the deposit of Gross Revenues.

"Water System" means the entire water supply, treatment, storage and distribution system of the District, including but not limited to all facilities, properties and improvements at any time owned, controlled or operated by the District for the supply, treatment, storage and distribution of water to residents within the service area of the District, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the District.

APPENDIX B

FORM OF CERTIFICATE OF PARTICIPATION

R-__ $_____

DIABLO WATER DISTRICT
2026 WATER REVENUE CERTIFICATE OF PARTICIPATION

Evidencing the Direct, Undivided Fractional Interest of the Owner Hereof in Installment Payments to be Made by the

DIABLO WATER DISTRICT, CALIFORNIA

Under an Installment Sale Agreement with the CSDA Finance Corporation

RATE OF INTEREST:	MATURITY DATE:	ORIGINAL ISSUE DATE:	CUSIP:
		[January __, 2026]	

REGISTERED OWNER: CEDE & CO.
PRINCIPAL AMOUNT: DOLLARS

THIS IS TO CERTIFY THAT the Registered Owner identified above, or registered assigns, as the registered owner (the "Registered Owner") of this Certificate of Participation (this "Certificate") is the owner of a direct, undivided fractional interest in certain Installment Payments (the "Installment Payments") payable by the Diablo Water District, a county water district duly organized and existing under the laws of the State of California (the "District") under an Installment Sale Agreement dated as of January 1, 2026 (the "Installment Sale Agreement"), between the District and CSDA Finance Corporation, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"). The Installment Payments and certain other rights and interests under the Installment Sale Agreement have been assigned by the Corporation to U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), having a corporate trust office in San Francisco, California or such other place as designated by the Trustee (the "Trust Office").

The Registered Owner of this Certificate is entitled to receive, subject to the terms of the Installment Sale Agreement, on the Maturity Date identified above, or any earlier prepayment date, the Principal Amount identified above representing a direct, undivided fractional share of the portion of the Installment Payments designated as principal, and to receive on January 1 and July 1 of each year commencing [July 1, 2026] (the "Certificate Payment Dates") until payment in full of said principal, the Registered Owner's direct, undivided fractional share of the Installment Payments designated as interest coming due during the interest period immediately preceding each of the Certificate Payment

Dates. Interest represented hereby shall be payable from the Certificate Payment Date next preceding the date of execution of this Certificate unless (a) this Certificate is executed after the close of business on the 15th day of the month immediately preceding an Certificate Payment Date and on or before such Certificate Payment Date, in which event interest shall be payable from such Certificate Payment Date, or (b) unless this Certificate is executed on or before [June 15, 2026], in which event interest shall be payable from the Original Issue Date identified above. The Registered Owner's share of the portion of the Installment Payments designated as interest is the result of the multiplication of the aforesaid share of the portion of the Installment Payments designated as principal by the Rate of Interest per annum identified above, calculated on the basis of a 360-day year comprised of twelve 30-day months.

The principal represented hereby is payable in lawful money of the United States of America upon surrender hereof at the Trust Office of the Trustee. Interest represented hereby is payable by check mailed by first class mail by the Trustee on each Certificate Payment Date to the Registered Owner at such Owner's address as it appears on the registration books of the Trustee as of the close of business on the 15th day of the preceding month; *provided, however,* that at the written request of the owner of Certificates in an aggregate principal amount of at least $1,000,000, which written request is on file with the Trustee as of the 15th day of the month preceding an Certificate Payment Date, interest represented by such Certificates shall be paid on such Certificate Payment Date by wire transfer in immediately available funds to such account within the United States of America as shall be specified in such request.

This Certificate has been executed and delivered by the Trustee under a Trust Agreement dated as of January 1, 2026, among the Trustee, the Corporation and the District (the "Trust Agreement"). The District has certified that it is authorized to enter into the Installment Sale Agreement and the Trust Agreement under the laws of the State of California, for the purpose of financing the acquisition, construction and improvement of properties used for the public purposes of the District relating to the Water System. Reference is hereby made to the Installment Sale Agreement and the Trust Agreement (copies of which are on file at the Trust Office of the Trustee) for a description of the terms on which the Certificates are delivered, the rights thereunder of the owners of the Certificates, the rights, duties and immunities of the Trustee and the rights and obligations of the District under the Installment Sale Agreement, to all of the provisions of the Installment Sale Agreement and the Trust Agreement the Registered Owner of this Certificate, by acceptance hereof, assents and agrees.

The District is obligated under the Installment Sale Agreement to pay the Installment Payments from the Net Revenues of the Water System (as such terms are defined in the Trust Agreement). The obligation of the District to pay the Installment Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to pay the Installment Payments does not constitute a debt of the District, the State of California or any of its political subdivisions, and does not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

The Certificates are subject to optional [and mandatory sinking fund redemption] as provided in the Trust Agreement.

This Certificate is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Trust Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Trust Agreement and upon surrender and cancellation of this Certificate. Upon such transfer a new Certificate or Certificates, of

authorized denomination or denominations, representing the same aggregate principal amount and representing the same rate of interest, will be delivered to the transferee in exchange herefor. The District, the Corporation and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, whether or not this Certificate shall be overdue, and the District, the Corporation and the Trustee will not be affected by any notice to the contrary.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto with the written consent of the owners of a majority in aggregate principal amount of the Certificates then outstanding, and may be amended without such consent under certain circumstances; provided that no such amendment shall extend the fixed maturity of any Certificate or reduce the interest or principal represented thereby, without the express consent of the owner of such Certificate.

Unless this Certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Trustee for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein. The Trustee has no obligation or liability to the Registered Owners of the Certificates for the payment of interest or principal with respect to the Certificates out of the Trustee's own funds; the Trustee's sole obligations are those described in the Trust Agreement. The recitals of facts herein shall be taken as statements of the District and the Corporation and the Trustee does not have any responsibility for the accuracy thereof.

The District has certified, recited and declared that all things, conditions and acts required by the laws of the State of California, the Installment Sale Agreement and the Trust Agreement to exist, to have happened and to have been performed precedent to and in the delivery of the Certificates, do exist, have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, this Certificate has been executed and delivered by U.S. Bank Trust Company, National Association, as trustee, acting under the Trust Agreement.

Execution Date:

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto

_____

_____

_____

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within registered Certificate and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

_____

Note: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

_____

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Certificate in every particular without alteration or enlargement or any change whatsoever.

APPENDIX C

PROVISIONS RELATING TO THE CERTIFICATE INSURANCE POLICY

The following terms and provisions are hereby incorporated into this Trust Agreement by this reference. Such provisions shall control and supersede any conflicting or inconsistent provisions in this Trust Agreement.

1. Notice and Other Information to be given to the Certificate Insurer. The District will provide the Certificate Insurer with all notices and other information it is obligated to provide (i) under its Continuing Disclosure Certificate and (ii) to the holders of Certificates or the Trustee under this Trust Agreement and the Installment Sale Agreement (collectively, the "Security Documents"). The notice address of the Certificate Insurer is:

[_____]
[_____]
[_____]
Attention: [_____]
Telephone: [_____]
Telecopier: [_____]
Email: [_____]

In each case in which notice or other communication refers to an event of default or a claim on the Certificate Insurance Policy, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel at the same address and at [_____] or at Telecopier: [_____] and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

2 Defeasance. The investments in any defeasance escrow for the Certificates shall be limited to non-callable, direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, or otherwise be approved by the Certificate Insurer.

At least three Business Days prior to any defeasance, the District shall deliver to the Certificate Insurer copies of an escrow agreement, opinions regarding the validity and enforceability of the escrow agreement, a verification report (a "Verification Report") of a nationally recognized independent financial analyst or firm of certified public accountants regarding sufficiency of the escrow and a defeasance legal opinion. Such opinions and Verification Report shall be addressed to the Certificate Insurer and shall be in form and substance satisfactory to the Certificate Insurer. In addition, the escrow agreement shall provide that:

(a) Any substitution of securities shall require the delivery of a Verification Report, an opinion of special counsel that such substitution will not adversely affect the exclusion (if interest on the Certificates is excludable) from gross income of the holders of the Certificates of the interest on the Certificates for federal income tax purposes and the prior written consent of the Certificate Insurer.

(b) The District will not exercise any prior optional prepayment of Certificates secured by the escrow agreement or any other prepayment other than mandatory sinking fund prepayments (if any) unless (i) the right to make any such prepayment has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding certificates, and (ii) as a condition to any such prepayment there shall be provided to the Certificate Insurer a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such prepayment.

(c) The District shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the Certificate Insurer.

3. Trustee.

(a) The Certificate Insurer shall receive prior written notice of any name change of the Trustee or the resignation or removal of the Trustee. Any Trustee must be (i) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least $250 million of assets, (ii) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least $1 billion of assets, or (iii) otherwise approved by the Certificate Insurer in writing.

(b) No removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to the Certificate Insurer, shall be appointed.

4. Amendments, Supplements and Consents. The Certificate Insurer's prior written consent is required for all amendments and supplements to this Trust Agreement, with the exceptions noted below. The District shall send copies of any such amendments or supplements to the Certificate Insurer and the rating agencies which have assigned a rating to the Certificates.

(a) *Consent of the Certificate Insurer*. Any amendments or supplements to this Trust Agreement shall require the prior written consent of the Certificate Insurer with the exception of amendments or supplements:

(i) to cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in this Trust Agreement or in any supplement thereto, or

(ii) to grant or confer upon the Certificate holders any additional rights, remedies, powers authority or security that may lawfully be granted to or conferred upon the Certificate holders, or

(iii) to add to the conditions, limitations and restrictions on the delivery of Certificates under the provisions of the transaction documents other conditions, limitations and restrictions thereafter to be observed or

(iv) to add to the covenants and agreements of the District in this Trust Agreement other covenants and agreements thereafter to be observed by

the District or to surrender any right or power therein reserved to or conferred upon the District.

(b) *Consent of the Certificate Insurer in Addition to Certificate Holder Consent*. Any amendment, supplement, modification to, or waiver of, any of the Security Documents that requires the consent of holders of the Certificates or adversely affects the rights or interests of the Certificate Insurer shall be subject to the prior written consent of the Certificate Insurer.

(c) *Consent of the Certificate Insurer in the Event of Insolvency*. Any reorganization or liquidation plan with respect to the District must be acceptable to the Certificate Insurer in writing. In the event of any reorganization or liquidation of the District, the Certificate Insurer shall have the right to vote on behalf of all holders of the Certificates absent a continuing failure by the Certificate Insurer to make a payment under the Certificate Insurance Policy.

(d) *Consent of the Certificate Insurer Upon Default*. Anything in Security Documents to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, the Certificate Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Certificates or the Trustee for the benefit of the holders of the Certificates under any Security Document. The Trustee may not waive any default or event of default without the Certificate Insurer's written consent.

(e) *Certificate Insurer as Owner*. Upon the occurrence and continuance of a default or an event of default, the Certificate Insurer shall be deemed to be the sole owner of the Certificates for all purposes under the Security Documents, including, without limitations, for purposes of exercising remedies and approving amendments.

(f) *Consent of the Certificate Insurer for Acceleration.* The Certificate Insurer's prior written consent is required as a condition precedent to and in all instances of acceleration. No acceleration is permitted under the Installment Sale Agreement.

(g) *Grace Period for Payment Defaults*. No grace period shall be permitted for payment defaults on the Certificates.

(h) *Special Provisions for Insurer Default*. If an Insurer Default shall occur and be continuing, then, notwithstanding anything in paragraphs 4(a)-(e) above to the contrary, (1) if at any time prior to or following an Insurer Default, the Certificate Insurer has made payment under the Certificate Insurance Policy, to the extent of such payment the Certificate Insurer shall be treated like any other holder of the Certificates for all purposes, including giving of consents, and (2) if the Certificate Insurer has not made any payment under the Certificate Insurance Policy, the Certificate Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or the Certificate Insurer makes a payment under the Certificate Insurance Policy, in which event, the foregoing

clause (1) shall control. For purposes of this paragraph (h), "Insurer Default" means: (A) the Certificate Insurer has failed to make any payment under the Certificate Insurance Policy when due and owing in accordance with its terms; or (B) the Certificate Insurer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Certificate Insurance Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the Certificate Insurer (including without limitation under the New York Insurance Law).

5. Certificate Insurer As Third Party Beneficiary. The Certificate Insurer is recognized as and shall be deemed to be a third party beneficiary of the Security Documents and may enforce the provisions of the Security Documents as if it were a party thereto.

6. Payment Procedure Under the Certificate Insurance Policy. In the event that principal and/or interest due on the Certificates shall be paid by the Certificate Insurer pursuant to the Certificate Insurance Policy, the Certificates shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the District, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the District to the registered owners shall continue to exist and shall run to the benefit of the Certificate Insurer, and the Certificate Insurer shall be subrogated to the rights of such registered owners including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the Certificates.

In the event that on the second Business Day prior to any payment date on the Certificates, the Trustee has not received sufficient moneys to pay all principal and interest represented by the Certificates due on such payment date, the Trustee shall immediately notify the Certificate Insurer or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the Certificate Insurer or its designee.

In addition, if the Trustee has notice that any holder of the Certificates has been required to disgorge payments of principal or interest represented by the Certificates pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Trustee shall notify the Certificate Insurer or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of the Certificate Insurer.

The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Certificates as follows:

(a) If there is a deficiency in amounts required to pay interest and/or principal on the Certificates, the Trustee shall (i) execute and deliver to the Certificate Insurer, in form satisfactory to the Certificate Insurer, an instrument appointing the Certificate Insurer as agent and attorney-in-fact for such holders of the Certificates in any legal proceeding related to the payment and assignment to the Certificate Insurer of the claims for interest on the Certificates, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Certificate Insurance Policy payment from the Certificate Insurer with respect to the claims for interest so assigned, and (iii) disburse the same to such respective holders; and

(b) If there is a deficiency in amounts required to pay principal of the Certificates, the Trustee shall (i) execute and deliver to the Certificate Insurer, in form satisfactory to the Certificate Insurer, an instrument appointing the Certificate Insurer as agent and attorney in- fact for such holder of the Certificates in any legal proceeding related to the payment of such principal and an assignment to the Certificate Insurer of the Certificates surrendered to the Certificate Insurer, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Certificate Insurance Policy payment therefore from the Certificate Insurer, and (iii) disburse the same to such holders. The Trustee shall designate any portion of payment of principal on Certificates paid by the Certificate Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Certificates registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Certificate to the Certificate Insurer, registered in the name directed by the Certificate Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Certificate shall have no effect on the amount of principal or interest payable by the District on any Certificate or the subrogation or assignment rights of the Certificate Insurer.

Payments with respect to claims for interest and principal represented by Certificates disbursed by the Trustee from proceeds of the Certificate Insurance Policy shall not be considered to discharge the obligation of the District with respect to such Certificates, and the Certificate Insurer shall become the owner of such unpaid Certificates and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise.

Irrespective of whether any such assignment is executed and delivered, the District and the Trustee agree for the benefit of the Certificate Insurer that:

(a) They recognize that to the extent the Certificate Insurer makes payments directly or indirectly (*e.g.*, by paying through the Trustee), on account of principal or interest represented by the Certificates, the Certificate Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest

from the District, with interest thereon, as provided and solely from the sources stated in the transaction documents and the Certificates; and

(b) They will accordingly pay to the Certificate Insurer the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Certificates, but only from the sources and in the manner provided therein for the payment of principal and interest represented by the Certificates to holders, and will otherwise treat the Certificate Insurer as the owner of such rights to the amount of such principal and interest.

7 Additional Payments. The District agrees unconditionally that it will pay or reimburse the Certificate Insurer on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that the Certificate Insurer may pay or incur, including, but not limited to, fees and expenses of the Certificate Insurer's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Security Documents ("Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of the Certificate Insurer spent in connection with the actions described in the preceding sentence. The District agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to the Certificate Insurer until the date the Certificate Insurer is paid in full.

Notwithstanding anything herein to the contrary, the District agrees to pay to the Certificate Insurer (i) a sum equal to the total of all amounts paid by the Certificate Insurer under the Certificate Insurance Policy ("the Certificate Insurer Policy Payment"); and (ii) interest on such the Certificate Insurer Policy Payments from the date paid by the Certificate Insurer until payment thereof in full by the District, payable to the Certificate Insurer at the Late Payment Rate per annum (collectively, "the Certificate Insurer Reimbursement Amounts") compounded semi-annually. The District hereby covenants and agrees that the Certificate Insurer Reimbursement Amounts are payable from and secured by a lien on and pledge of the same revenue and other collateral pledged to the Installment Payments and Loan Payments on a parity with such payments under the Installment Sale Agreement.

8. Reserve Fund. The prior written consent of the Certificate Insurer is a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Reserve Fund, if any. Amounts on deposit in the Reserve Fund shall be applied solely to the payment of debt service due on the Certificates.

9. Exercise of Rights by the Certificate Insurer. The rights granted to the Certificate Insurer under the Security Documents to request, consent to or direct any action are rights granted to the Certificate Insurer in consideration of its issuance of the Certificate Insurance Policy. Any exercise by the Certificate Insurer of such rights is merely an exercise of the Certificate Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Certificates and such action does not evidence any position of the Certificate Insurer, affirmative or negative, as to whether the consent of the holders of the Certificates or any other person is required in addition to the consent of the Certificate Insurer.

10. Entitlement to Payment. The Certificate Insurer shall be entitled to pay principal or interest on the Certificates that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the District (as such terms are defined in the Certificate Insurance Policy) and any amounts due on the Certificates as a result of acceleration of the maturity thereof in accordance with this Trust Agreement, whether or not the Certificate Insurer has received a claim upon the Certificate Insurance Policy.

$____
DIABLO WATER DISTRICT
2026 WATER REVENUE CERTIFICATES OF PARTICIPATION (GREEN BONDS)

CERTIFICATE PURCHASE AGREEMENT

_____, 2026

Diablo Water District
87 Carol Lane
Oakley, California 94561

Ladies and Gentlemen:

The undersigned, Oppenheimer & Co. Inc. (the "Underwriter"), acting not as a fiduciary or agent for you, but on behalf of itself, offers to enter into this Certificate Purchase Agreement (which, together with the exhibits hereto, is referred to as the "Purchase Agreement") with the Diablo Water District (the "District"), which, upon acceptance by the District, will be binding upon the District and the Underwriter. This offer is made subject to acceptance by the District by the execution of the Purchase Agreement and delivery of the same to the Underwriter prior to 11:59 P.M., California time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the District at any time prior to the acceptance hereof by the District. Capitalized terms that are used herein and not otherwise defined have the meanings that are set forth in the Trust Agreement, dated as of January 1, 2026 (the "Trust Agreement"), by and among the Corporation, the District and U.S. Bank Trust Company, National Association, as trustee (the "Trustee").

The District acknowledges and agrees that: (a) the purchase and sale of the Certificates (as such term is defined herein) pursuant to the Purchase Agreement is an arm's length commercial transaction among the District and the Underwriter, and the only obligations that the Underwriter has to the District with respect to the transaction that is contemplated hereby expressly are set forth in the Purchase Agreement; (b) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as a Municipal Advisor (as such term is defined in Section 15B of The Securities Exchange Act of 1934, as amended) to the District; (c) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the District with respect to the offering that is contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters); (d) the Underwriter has financial and other interests that may differ from and be adverse to those of the District; and (e) the District has consulted their own legal, financial, accounting, tax and other advisors to the extent that they have deemed appropriate.

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements herein, the Underwriter hereby agrees to purchase, and the District hereby agrees to cause the Trustee to execute, sell and deliver to the Underwriter all (but not less than all) of the Diablo Water District 2026 Water Revenue Certificates of Participation (Green Bonds), in the aggregate principal amount of $_____ (the "Certificates"). The Certificates will be dated as of their date of delivery. Interest with respect to the Certificates will be payable

semiannually on January 1 and July 1 of each year, commencing July 1, 2026, and will mature and bear interest as set forth in Exhibit A. The purchase price of the Certificates is $_____ (being the aggregate principal amount of $_____ [plus] an original issue premium of $_____ and less an Underwriter's discount of $_____). Such purchase price shall be subject to the provisions of Section 5 hereof.

Section 2. The Certificates. The Certificates shall be secured by installment payments (the "Installment Payments") to be paid by the District to the Corporation pursuant to the Installment Sale Agreement, dated as of January 1, 2026 (the "Installment Sale Agreement"), by and between the District and the Corporation. The Corporation's right to receive the Installment Payments under the Installment Sale Agreement and to exercise remedies upon default under the Installment Sale Agreement shall be assigned to the Trustee for the benefit of the owners of the Certificates pursuant to the Trust Agreement.

The Installment Payments are secured by a pledge of revenues of the District's water system and payable from net revenues remaining after the payment of operation and maintenance costs of the District's water system.

The Certificates shall be as described in, and shall be secured under and pursuant to the Trust Agreement substantially in the form previously submitted to the Underwriter, with only such changes therein as shall be mutually agreed upon by the District and the Underwriter.

The proceeds of the Certificates shall be applied: (i) to finance the construction of certain capital improvements to the District's water system; and (ii) to pay the costs of delivery of the Certificates.

The Certificates, the Trust Agreement, the Purchase Agreement, the Installment Sale Agreement and the resolution of the Board of Directors of the Corporation authorizing the execution and delivery of the Certificates and the foregoing documents are collectively referred to herein as the "Corporation Documents."

The Certificates, the Purchase Agreement, the Continuing Disclosure Certificate of the District relating to the Certificates (the "Continuing Disclosure Certificate"), the Trust Agreement, the Installment Sale Agreement and the resolution of the Board of Directors of the District authorizing the execution and delivery of the foregoing documents are collectively referred to herein as the "District Documents."

Section 3. Public Offering; Establishment of Issue Price for Certificates.

(a) The Underwriter agrees to assist the District in establishing the issue price of the Certificates and shall execute and deliver to the District at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the District and Special Counsel to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Certificates. All actions to be taken by the District under this section to establish the issue price of the Certificates may be taken on behalf of the District by Urban Futures, Inc. (the "Municipal Advisor") and any notice or report to be provided to the District may be provided to the Municipal Advisor.

(b) [Except as otherwise set forth in Exhibit A,] the District will treat the first price at which 10% of each maturity of the Certificates (the "10% test") is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of the Purchase Agreement, the Underwriter shall report to the District the price or prices at which it has sold to the public each maturity of Certificates. If at that time the 10% test has not been satisfied as to any maturity of the Certificates, the Underwriter agrees to promptly report to the District the prices at which it sells the unsold Certificates of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Certificates of that maturity or until the Underwriter has sold all Certificates of that maturity to the public; provided that the Underwriter's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, the District or Special Counsel.

(c) [The Underwriter confirms that it has offered the Certificates to the public on or before the date of the Purchase Agreement at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Exhibit A, except as otherwise set forth therein. Exhibit A also sets forth, identified under the column "Hold the Offering Price Rule Used," as of the date of the Purchase Agreement, the maturities, if any, of the Certificates for which the 10% test has not been satisfied and for which the District and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the District to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Certificates, the Underwriter will neither offer nor sell unsold Certificates of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

1. the close of the fifth (5th) business day after the sale date; or

2. the date on which the Underwriter has sold at least 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the District promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.]

(d) Also:

(i) The Underwriter confirms that any selling group agreement and any retail distribution agreement relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such retail distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Certificates of each maturity allocated to it, whether or not the Closing Date has occurred, until either: (I) all Certificates of that maturity allocated to it have been sold; or (II) it is notified by the Underwriter that the 10% test has been satisfied as to the Certificates of that maturity; provided that the reporting

obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter;

(B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter;

(C) promptly notify the Underwriter of any sales of Certificates that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Certificates to the public (each such term being used as defined below); and

(D) acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(ii) The Underwriter confirms that any selling group agreement relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Certificates to the public to require each broker-dealer that is a party to such retail distribution agreement to: (A) report the prices at which it sells to the public the unsold Certificates of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Certificates of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Certificates of that maturity; provided that the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer; and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(e) The District acknowledges that, in making the representations set forth in this subsection, the Underwriter will rely on: (A) in the event that a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in a selling group agreement and the related pricing wires; and (B) in the event that a retail distribution agreement was employed in connection with the initial sale of the Certificates to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in the retail distribution agreement and the related pricing wires. The District further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates.

(f) The Underwriter acknowledges that sales of any Certificates to any person that is a related party to an underwriter participating in the initial sale of the Certificates to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

1. "public" means any person other than an underwriter or a related party;

2. "underwriter" means: (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public; and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the public);

3. a purchaser of any of the Certificates is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to: (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another); (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another); or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other)[; and

4. "sale date" means the date of execution of the Purchase Agreement by all parties.]

Section 4. The Official Statement. By its acceptance of this proposal, the District hereby ratifies, confirm and approve of the use and distribution by the Underwriter prior to the date hereof of the preliminary official statement relating to the Certificates dated _____, 2026 (including the front cover page, inside front cover page, all appendices and all information incorporated therein and any supplements or amendments thereto and as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, the "Preliminary Official Statement") that authorized officers of the District deemed "final" as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for certain information that is permitted to be omitted therefrom by Rule 15c2-12. The District hereby agrees to deliver or cause to be delivered to the Underwriter, within seven business days of the date hereof, copies of a final official statement, dated the date hereof, relating to the Certificates (including all information previously permitted to have been omitted by Rule 15c2-12), including the cover page, inside cover page, all appendices, all information incorporated therein and any amendments or supplements as have been approved by the District and the Underwriter (the "Official Statement") in such quantity as the Underwriter shall reasonably request to comply with Section (b)(4) of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board (the "MSRB").

The Underwriter hereby agrees that it will not request that payment be made by any purchaser of the Certificates prior to delivery by the Underwriter to the purchaser of a copy of the Official Statement. The Underwriter agrees: (i) to provide the District with final pricing information on the Certificates on a timely basis; and (ii) to promptly file a copy of the Official Statement, including any supplements prepared by the District, with the MSRB at http://emma.msrb.org. The District hereby approves of the use and distribution by the Underwriter of the Preliminary Official Statement in connection with the offer and sale of the Certificates. The District will cooperate with the Underwriter in the filing by the Underwriter of the Official Statement with the MSRB.

Section 5. Closing. At 8:00 a.m., California Time, on _____, 2026, or at such other time or date as the District and the Underwriter agree upon (the "Closing Date"), the District shall cause the Trustee to deliver the Certificates, in definitive form, registered in the name of Cede & Co., as the nominee of The Depository Trust Company ("DTC"), so that the Certificates may be credited to the account specified by the Underwriter under DTC's FAST procedures. Concurrently with the delivery of the Certificates, the District will deliver the documents required to be delivered under Section 9(e) hereof at the offices of Anzel Galvan LLP, San Francisco, California ("Special Counsel"), or another place to be mutually agreed upon by the District and the Underwriter. The Underwriter will accept such delivery and pay the purchase price of the Certificates as set forth in Section 1 hereof by wire transfer in immediately available funds. This payment for and delivery of the Certificates, together with the delivery of the aforementioned documents, is herein called the "Closing."

The Certificates shall be registered in the name of Cede & Co., as nominee of DTC in denominations of five thousand dollars ($5,000) or any integral multiple thereof. The District acknowledges that the services of DTC will be used initially by the Underwriter in order to permit the delivery of the Certificates in book-entry form, and agree to cooperate fully with the Underwriter in employing such services.

Section 6. [Reserved].

Section 7. Representations, Warranties and Covenants of the District. The District represents, warrants and covenants to the Underwriter that:

(a) The District is a county water district that is duly organized and existing under and by virtue of the laws of the State.

(b) The District has full legal right, power and authority to adopt or enter into, as the case may be, and to carry out and consummate the transactions on its part contemplated by the District Documents.

(c) By all necessary official action, the District has duly authorized and approved the District Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement and has duly authorized and approved the execution and delivery of, and the performance by the District of the obligations on its part contained in, the District Documents and the consummation by it of all other transactions contemplated by the District Documents in connection with the execution and delivery of the Certificates. As of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming due execution and delivery by the other parties thereto, if applicable, the District Documents will constitute the legally valid and binding obligations of the District enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against municipal corporations in the State. The District has complied, and will at the Closing be in compliance in all material respects, with the terms of the District Documents.

(d) To the best of its knowledge, the District is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of

any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party which breach or default has or may have a materially adverse effect on the ability of the District to perform its obligations under the District Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the District Documents, if applicable, and compliance with the provisions on the District's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the District or under the terms of any such law, regulation or instrument, except as may be provided by the District Documents.

(e) To the best of its knowledge, all material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the District of its obligations in connection with the District Documents have been duly obtained or, when required for future performance, are expected to be obtained, other than such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Certificates.

(f) The Preliminary Official Statement was as of its date, and the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the Official Statement do not and up to and including the Closing will not contain any untrue statement of a material fact or omit to state a material fact that is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading (except that this representation does not include statements in the Official Statement under the captions "TAX MATTERS," "THE CORPORATION" and "UNDERWRITING," Appendix F and information regarding DTC and its book-entry only system, as to which no view is expressed).

(g) The District will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement. The District will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental authority prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Certificates.

(h) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental authority, public board or body, pending, with service of process upon the District having been accomplished, or threatened in writing to the District: (i) in any way questioning the corporate existence of the District or the titles of the officers of the District to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the execution or delivery of any of the Certificates, or the collection of Revenues under the Installment Sale Agreement or of any amounts pledged or to be pledged to pay the principal of and interest with

respect to the Certificates, or in any way contesting or affecting the validity of the District Documents or the consummation of the transactions contemplated thereby or hereby, contesting the exclusion of the interest with respect to the Certificates from federal taxation or the exclusion of interest with respect to the Certificates from State taxation or contesting the powers of the District or its authority to cause the execution and delivery of the Certificates; (iii) which would be likely to result in any material adverse change relating to the business, operations or financial condition of the District; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) To the District's knowledge, there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of paragraph 7(h).

(j) Until the date which is twenty-five (25) days after the end of the underwriting period (but not later than 90 days after the Closing Date), if any event shall occur of which the District is aware that would cause the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact that is necessary in order to make the statements in the Official Statement, in light of the circumstances under which they were made, not misleading (except that this representation does not include statements in the Official Statement under the captions "TAX MATTERS," "THE CORPORATION" and "UNDERWRITING," and information regarding DTC and its book-entry only system, as to which no view is expressed), the District shall forthwith notify the Underwriter of any such event of which it has knowledge and shall cooperate fully in furnishing any information available to it for any supplement to the Official Statement necessary, in the Underwriter's reasonable opinion, so that the statements therein as so supplemented will not be misleading in light of the circumstances existing at such time and the District shall promptly furnish to the Underwriter a reasonable number of copies of such supplement. As used herein, the term "end of the underwriting period" means the later of such time as: (i) the Trustee delivers the Certificates to the Underwriter; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Certificates for sale to the public. Unless the Underwriter gives notice to the contrary, the "end of the underwriting period" shall be deemed to be the Closing Date. Any notice delivered pursuant to the preceding sentence shall be written notice delivered to the District at or prior to the Closing Date of the Certificates and shall specify a date (other than the Closing Date) to be deemed the end of the underwriting period.

(k) Except as disclosed in the Preliminary Official Statement and the Official Statement, the District has not within the last five years failed to comply in any material respect with any continuing disclosure undertakings with regard to Rule 15c2-12 to provide annual reports or notices of material events specified in such rule.

(l) The District will refrain from taking any action, or permitting any action to be taken, with regard to which the District may exercise control, that results in the loss of the tax-exempt status of the interest for federal income tax purposes with respect to the Certificates or the inclusion of such interest in California personal income taxes.

(m) The financial statements relating to the receipts, expenditures and cash balances of the District as of June 30, 2025 attached as an appendix to the Official Statement fairly represent the receipts, expenditures and cash balances of the District. Except as disclosed in the

Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial condition of the District or in its operations since June 30, 2025 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(n) To the extent required by law, the District will undertake, pursuant to the Continuing Disclosure Certificate and the other District Documents, to provide annual reports and notices of certain events. A description of these undertakings is set forth in an appendix to the Preliminary Official Statement and will also be set forth in the Official Statement.

(o) The District will refrain from taking any action, or permitting any action to be taken, to reduce the amount of the Installment Payments while the Certificates are Outstanding, and the District will pay the Installment Payments in accordance with the Installment Sale Agreement.

(p) Any certificate signed by any officer of the District authorized to execute such certificate in connection with the execution, sale and delivery of the Certificates and delivered to the Underwriter shall be deemed a representation and warranty of the District to the Underwriter as to the statements made therein but not of the person signing such certificate.

Section 8. Representations, Warranties and Covenants of the Underwriter. The Underwriter represents to and agrees with the District that, as of the date hereof and as of the date of the Closing:

(a) The Underwriter is duly authorized to execute this Purchase Agreement and the Underwriter is duly authorized to take any action(s) under the Purchase Agreement required to be taken by it.

(b) The Underwriter is in compliance with MSRB Rule G-37 with respect to the District, and is not prohibited thereby from acting as underwriter with respect to securities of the District.

(c) The Underwriter has, and has had, no financial advisory relationship, as that term is defined in California Government Code Section 53590(c) or MSRB Rule G-23, with the District with respect to the Certificates, and no investment firm controlling, controlled by or under common control with the Underwriter has or has had any such financial advisory relationship.

(d) The Underwriter has not paid or agreed to pay, nor will it pay or agree to pay, any entity, company, firm or person (including, but not limited to, the District's financial/municipal consultant(s), or any officer, agent or employee thereof), other than a bona fide officer, agent or employee working for the Underwriter, any compensation, fee, gift or other consideration contingent upon or resulting from the entering into this Purchase Agreement.

Section 9. Conditions to the Obligations of the Underwriter. The Underwriter has entered into the Purchase Agreement in reliance upon the representations and warranties of the District contained herein. The obligations of the Underwriter to accept delivery of and pay for the Certificates on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the statements of the officers and other officials of the District, as well as authorized representatives of Special Counsel and the Trustee made in any Certificates or other documents furnished pursuant to the provisions hereof; to the performance by the District of its

obligations to be performed hereunder at or prior to the Closing Date; and to the following additional conditions:

(a) The representations, warranties and covenants of the District contained herein shall be true and correct at the date hereof and at the time of the Closing, as if made on the Closing Date.

(b) At the time of Closing, the District Documents shall be in full force and effect as valid and binding agreements between or among the various parties thereto, and the District Documents, the Corporation Documents and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter.

(c) At the time of the Closing, no material default shall have occurred or be existing under the District Documents, the Corporation Documents or any other agreement or document pursuant to which any of the District's financial obligations were executed and delivered, and the District shall not be in default in the payment of principal or interest with respect to any of its financial obligations, which default would materially adversely impact the ability of the District to pay the Installment Payments.

(d) In recognition of the desire of the District and the Underwriter to effect a successful public offering of the Certificates, and in view of the potential adverse impact of any of the following events on such a public offering, the Purchase Agreement shall be subject to termination in the discretion of the Underwriter by notification, in writing, to the District prior to delivery of and payment for the Certificates, if at any time prior to such time, regardless of whether any of the following statements of fact were in existence or known of on the date of the Purchase Agreement:

(i) any event shall occur which makes untrue any material statement or results in an omission to state a material fact that is necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading, which event, in the reasonable opinion of the Underwriter, would materially or adversely affect the ability of the Underwriter to market the Certificates;

(ii) the marketability of the Certificates or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of the Purchase Agreement in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or state court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or state authority affecting the

federal or state tax status of the Corporation or the District, or the interest with respect to bonds or notes (including the Certificates);

(iii) any legislation, ordinance, rule or regulation shall be enacted by any governmental body, department or authority of the State, or a decision by any court of competent jurisdiction within the State shall be rendered which materially adversely affects the market price of the Certificates;

(iv) an order, decree or injunction issued by any court of competent jurisdiction, or order, ruling, regulation (final, temporary or proposed), official statement or other form of notice or communication issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental authority having jurisdiction of the subject matter, to the effect that: (i) obligations of the general character of the Certificates, or the Certificates, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Trust Agreement is not exempt from qualification under the Trust Indenture Act of 1939, as amended; or (ii) the issuance, offering or sale of obligations of the general character of the Certificates, or the execution, delivery, offering or sale of the Certificates, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

(v) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, to the effect that obligations of the general character of the Certificates, or the Certificates, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or that the Trust Agreement is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended and as then in effect;

(vi) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any domestic governmental authority or by any domestic national securities exchange, which (i) are material to the marketability of the Certificates, (ii) affect the extension of credit by underwriters in general, or (iii) effect a change to the net capital requirements of underwriters in general;

(vii) a general banking moratorium shall have been declared by federal, State or New York authorities, or the general suspension of trading on any national securities exchange;

(viii) there shall have occurred any outbreak or escalation of hostilities, declaration by the United States of a national emergency or war or other calamity or crisis, or escalation thereof, the effect of which on financial markets is materially adverse such as to make it, in the sole judgment of the Underwriter, impractical or inadvisable to proceed with the purchase or delivery of the Certificates as contemplated by the Official Statement (exclusive of any amendment or supplement thereto);

(ix) a material disruption in securities settlement, payment or defeasance services affecting the Certificates shall have occurred;

(x) any rating of the Certificates or the rating of any obligations of the District shall have been downgraded or withdrawn by a national rating service, which, in the opinion of the Underwriter, materially adversely affects the market price of the Certificates; or

(xi) the commencement of any action, suit or proceeding described in Section 7(h).

(e) at or prior to the Closing, the Underwriter shall receive the following documents, in each case to the reasonable satisfaction in form and substance of the Underwriter:

(i) The executed resolution of the Corporation relating to the Certificates and authorizing the execution and delivery of the Corporation Documents;

(ii) The executed resolution of the District relating to the Certificates and authorizing the execution and delivery of the Certificates, the District Documents and the Official Statement signed by an authorized official of the District;

(iii) The District Documents and the Corporation Documents duly executed and delivered by the respective parties thereto, with only such amendments, modifications or supplements as may have been agreed to in writing by the Underwriter;

(iv) A certification of the District that the insurance required to be in effect on the Closing Date under the Installment Sale Agreement is in fact in effect as of such date;

(v) The approving opinion of Special Counsel dated the Closing Date and addressed to the District, in substantially the form attached as APPENDIX C to the Official Statement, and reliance letters thereon addressed to the Underwriter and the Trustee;

(vi) A supplemental opinion of Special Counsel dated the Closing Date and addressed to the Underwriter, to the effect that:

(A) the statements on the cover of the Official Statement and in the Official Statement under the captions "INTRODUCTION," "THE 2026 CERTIFICATES," "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 CERTIFICATES" and "TAX MATTERS," and in Appendices B and D, excluding any material that may be treated as included under such captions and appendices by any cross-reference, insofar as such statements expressly summarize provisions of the District Documents, the Corporation Documents and Special Counsel's final opinion concerning the Certificates, the tax-exempt nature of the interest with respect to the Certificates or state legal conclusions, present a fair and accurate summary of the provisions thereof, provided that Special Counsel need not express any opinion with respect to any financial or statistical data contained therein or with respect to the book-entry system in which the Certificates are initially delivered;

(B) The Purchase Agreement and the Continuing Disclosure Certificate have been duly authorized, executed and delivered by the District and are the valid, legal and binding agreements of the District enforceable in accordance with their respective terms, except that the rights and obligations under the Purchase Agreement and the Continuing Disclosure Agreement are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable

remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State, and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein; and

(C) The Certificates are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(vii) The Official Statement, executed on behalf of the District, and the Preliminary Official Statement;

(viii) Evidence that the rating on the Certificates is as described in the Official Statement;

(ix) A certificate, dated the Closing Date, signed by a duly authorized officer of the Corporation satisfactory in form and substance to the Underwriter to the effect that: (i) the representations, warranties and covenants of the Corporation contained in the Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date by the Corporation, and the Corporation has complied with, in all material respects, all of the terms and conditions of the Purchase Agreement required to be complied with by the Corporation at or prior to the Closing Date; (ii) to the best of such officer's knowledge, no event affecting the Corporation has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; (iii) the information and statements contained in the Official Statement under the caption "THE CORPORATION" did not as of its date and do not as of the Closing contain an untrue statement of a material fact or omit to state any material fact that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; and (iv) to the best of its knowledge after reasonable investigation, the Corporation is not, in any material respect, in breach of or default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement (including but not limited to the Loan and Installment Sale Agreement) or other instrument to which the Corporation is a party or is otherwise subject, which would have a material adverse impact on the Corporation's ability to perform its obligations under the Corporation Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument;

(x) An opinion dated the Closing Date and addressed to the Underwriter, of counsel to the Corporation, to the effect that:

(A) The Corporation is a nonprofit public benefit corporation, organized and existing under the Constitution and laws of the State;

(B) The resolution relating to the Certificates adopted by the Board of Directors of the Corporation has been duly adopted at a regular meeting of the Corporation at which a quorum was present and acting throughout, is in full force and effect and has not been modified, amended, rescinded or repealed since its date of adoption;

(C) Except as otherwise disclosed in the Official Statement and to the best knowledge of such counsel, there is no litigation, proceeding, action, suit or investigation at law or in equity before or by any court, governmental authority or body, pending, with service of process upon the Corporation having been accomplished, or threatened in writing against the Corporation, challenging the creation, organization or existence of the Corporation, or the validity of the Corporation Documents or seeking to restrain or enjoin the collection of Installment Payments under the Loan and Installment Sale Agreement or the repayment of the Certificates or in any way contesting or affecting the validity of the Corporation Documents or contesting the authority of the Corporation to enter into or perform its obligations under any of the Corporation Documents; and

(D) To the best of such counsel's knowledge, the execution and delivery of the Corporation Documents and compliance with the provisions thereof do not and will not in any material respect conflict with or constitute on the part of the Corporation a breach of or default under any agreement or other instrument to which the Corporation is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Corporation is subject, which breach or default has or may have a material adverse effect on the ability of the Corporation to perform its obligations under the Corporation Documents;

(xi) A certificate, dated the Closing Date, signed by a duly authorized officer of the District satisfactory in form and substance to the Underwriter to the effect that: (i) the representations, warranties and covenants of the District contained in the Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date by the District, and the District has complied with, in all material respects, all of the terms and conditions of the Purchase Agreement required to be complied with by the District at or prior to the Closing Date; (ii) to the best of such officer's knowledge, no event affecting the District has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; (iii) the information and statements contained in the Official Statement (other than information in the Official Statement under the captions "TAX MATTERS," "THE CORPORATION" and "UNDERWRITING," Appendix F, and information regarding DTC and its book-entry only system) did not as of its date and do not as of the Closing contain an untrue statement of a material fact or omit to state any material fact that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; and (iv) to the best of its knowledge after reasonable investigation, the District is not, in any material respect, in breach of or default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement (including but not limited to the Installment Sale Agreement) or other instrument to which the District is a party or is otherwise subject, which would have a material adverse impact on the District's ability to perform its obligations under the District Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument;

(xii) an opinion dated the Closing Date and addressed to the Underwriter, Special Counsel, and the Trustee, of the District's General Counsel, to the effect that:

(A) The District is a county water district, duly organized and existing under and by virtue of the laws of the State;

(B) The resolution relating to the Certificates adopted by the Board of Directors of the District has been duly adopted at a regular meeting of the District at which a quorum was present and acting throughout, is in full force and effect and has not been modified, amended, rescinded or repealed since its date of adoption;

(C) Except as otherwise disclosed in the Official Statement and to the best knowledge of such counsel, there is no litigation, proceeding, action, suit or investigation at law or in equity before or by any court, governmental authority or body, pending, with service of process upon the District having been accomplished, or threatened in writing against the District, challenging the creation, organization or existence of the District, or the validity of the District Documents or seeking to restrain or enjoin the payment of the Installment Payments or in any way contesting or affecting the validity of the District Documents or contesting the authority of the District to enter into or perform its obligations under any of the District Documents, or which, in any manner, questions the right of the District to pay the Installment Payments under the Installment Sale Agreement; and

(D) To the best of such counsel's knowledge, the execution and delivery of the District Documents and compliance with the provisions thereof, do not and will not in any material respect conflict with or constitute on the part of the District a breach of or default under any agreement or other instrument to which the District is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the District is subject, which breach or default has or may have a material adverse effect on the ability of the District to perform its obligations under the District Documents;

(xiii) An opinion of Stradling Yocca Carlson & Rauth LLP, counsel to the Underwriter, in form and substance satisfactory to the Underwriter;

(xiv) An opinion of counsel to the Trustee, addressed to the Underwriter and dated the Closing Date, in form and substance satisfactory to the Underwriter and to Special Counsel, addressing the Trust Agreement;

(xv) A letter of Anzel Galvan LLP, as disclosure counsel to the District in connection with the Certificates ("Disclosure Counsel"), addressed to the Underwriter, to the effect that during the course of serving as Disclosure Counsel in connection with the execution and delivery of the Certificates and without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement or the Official Statement, no information came to the attention of the attorneys in such firm rendering legal services in connection with the execution and delivery of the Certificates that would lead them to believe that the Preliminary Official Statement as of its date or as of _____, 2026, or the Official Statement as of its date or as of the Closing Date (excluding therefrom the financial statements, any financial or statistical data, or forecasts, charts, numbers, estimates, projections, assumptions or expressions of opinion included in the Preliminary Official Statement or the Official Statement, information regarding the District's compliance with any obligations to provide notice of the events described in part (b)(5)(i)(C) of Rule 15c2-12 promulgated under the Securities Act of 1934 ("Rule 15c2-12") or to file annual reports described in part (b)(5)(i)(A) of Rule 15c2-12, any information with respect to the underwriter or underwriting matters with respect to the Certificates, including but not limited to information under the caption "UNDERWRITING," information regarding DTC and the book-entry system for the Certificates, information that is contained or incorporated by reference in the Preliminary Official Statement and

the Official Statement, and the appendices to the Preliminary Official Statement or the Official Statement, as to which no opinion need be expressed), contains or contained any untrue statement of a material fact or omits or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xvi) A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee in form and substance satisfactory to the Underwriter, addressing the Trust Agreement, and an incumbency certificate of the Trustee;

(xvii) Evidence that the required filings were made to the California Debt and Investment Advisory Commission pursuant to Section 53583 of the Government Code and Section 8855(g) of the Government Code;

(xviii) A copy of the executed Blanket Issuer Letter of Representations of the District relating to the book-entry system;

(xix) The certificates as to arbitrage and uses of proceeds of the District relating to the Certificates, and a form 8038-G relating to the Certificates, each in form and substance to the reasonable satisfaction of Special Counsel and the Underwriter;

(xx) A certificate, dated the date of the Preliminary Official Statement, of the District, as required under Rule 15c2-12;

(xxi) Certified copies of the Corporation's organizing documents and all amendments thereto and related certificates issued by the Secretary of State of the State of California;

(xxii) Evidence that a Debt Management Policy which complies with Section 8855 of the Government Code has been adopted by the District;

(xxiii) Any certificates required for the Certificates to be executed and delivered as debt on a parity basis with other outstanding debt of the District; and

(xxiv) Such additional legal opinions, certificates, proceedings, instruments or other documents as Special Counsel or the Underwriter may reasonably request.

Section 10. Changes in Official Statement. After the Closing, the District will not adopt any amendment of or supplement to the Official Statement to which the Underwriter shall reasonably object in writing. Within 25 days following the end of the underwriting period, if any event relating to or affecting the Certificates, the Trustee, the District or the Corporation shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in any material respect in the light of the circumstances existing at the time it is delivered to a purchaser, the District will forthwith prepare and furnish to the Underwriter an amendment or supplement that will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to purchaser, not misleading. The District shall cooperate with the Underwriter in the filing by the Underwriter of such amendment or supplement to the Official Statement with the MSRB. The Underwriter acknowledges that the end of the underwriting period will be the Closing Date.

Section 11. Expenses. Whether or not the Certificates are delivered to the Underwriter as set forth herein:

(a) The Underwriter shall be under no obligation to pay, and the District shall pay or cause to be paid (from the proceeds of the Certificates or from any legally available funds) all expenses that are incident to the performance of the District's obligations hereunder, including, but not limited to, the cost of printing and delivering the Certificates to the Underwriter, the cost of preparation, printing, distribution and delivery of the District Documents, the Corporation Documents, the Preliminary Official Statement, the Official Statement and all other agreements and documents that are contemplated hereby (and drafts of any thereof) in such reasonable quantities as requested by the Underwriter (excluding the fees and disbursements of the Underwriter's counsel), the fees and disbursements of the Trustee, Special Counsel and any accountants, engineers or any other experts or consultants that the District has retained in connection with the execution and delivery of the Certificates and any other expenses that are agreed to by the parties; and

(b) The District shall be under no obligation to pay, and the Underwriter shall pay, any fees of the California Debt and Investment Advisory Commission, the cost of preparation of any "blue sky" or legal investment memoranda and the Purchase Agreement; expenses to qualify the Certificates for sale under any "blue sky" or other state securities laws; and all other expenses that are incurred by the Underwriter in connection with the public offering and distribution of the Certificates (except those which are specifically enumerated in paragraph (a) of this section), including the fees and disbursements of its counsel and any advertising expenses.

Section 12. Notices. Any notice or other communication to be given to the Underwriter under the Purchase Agreement may be given by delivering the same in writing to Oppenheimer & Co. Inc., 135 Main Street, Suite 1700, San Francisco, California 94105, Attention: Nicki Tallman, Managing Director, Public Finance. All notices or communications hereunder by any party shall be given and served upon each other party. Any notice or communication to be given to the District under the Purchase Agreement may be given by delivering the same in writing to the address set forth on the first page of the Purchase Agreement.

Section 13. Parties in Interest. The Purchase Agreement is made solely for the benefit of the District and the Underwriter (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and agreements of the District in the Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Certificates.

Section 14. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

Section 15. Counterparts. The Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 16. Survival of Representations and Warranties. The representations and warranties of the District in or made pursuant to the Purchase Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of the Purchase Agreement and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of the District, and regardless of delivery of and payment for the Certificates.

Section 17. Electronic Signatures.

(a) The parties hereto acknowledge and agree that this Purchase Agreement may be executed by one or more electronic means (hereinafter referred to as "Electronic Signatures"). Each party hereto agrees that Electronic Signatures provided by such party shall constitute effective execution and delivery of this Purchase Agreement by such party to all other parties to or relying on this Purchase Agreement. Each party hereto agrees that Electronic Signatures shall constitute complete and satisfactory evidence of the intent of such party to be bound by those signatures and by the terms and conditions of this Purchase Agreement as signed. Each party agrees that Electronic Signatures shall be deemed to be original signatures for all purposes.

(b) Each party hereto agrees to accept Electronic Signatures provided by any and all other parties to this Purchase Agreement as (i) full and sufficient intent by such parties to be bound hereunder, (ii) effective execution and delivery of this Purchase Agreement and (iii) constituting this Purchase Agreement an original for all purposes, without the necessity for any manually signed copies to be provided, maintained or to exist for back up or for any other purpose.

(c) If Electronic Signatures are used to execute this Purchase Agreement, each party hereto hereby accepts the terms of, and intends and does sign, this Purchase Agreement by its Electronic Signature hereto.

Section 18. Effectiveness. The Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the District and shall be valid and enforceable as of the time of such acceptance.

Section 19. Governing Law. The Purchase Agreement shall be governed by and construed in accordance with the laws of the State.

OPPENHEIMER & CO. INC., as Underwriter

By: _____
Title: Authorized Officer

Accepted as of the date first stated above:

DIABLO WATER DISTRICT

By: _____
Its: General Manager

Time of Execution: _____ p.m. California Time

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EXHIBIT A

$_____
DIABLO WATER DISTRICT
2026 WATER REVENUE CERTIFICATES OF PARTICIPATION (GREEN BONDS)

MATURITY SCHEDULE

Maturity Date (January 1)	*Principal Amount*	*Interest Rate*	*Yield*	*Initial Offering Price*	*10% Test Used*	*Hold the Offering Price Rule Used*

_____

PREPAYMENT

Optional Prepayment. The Certificates maturing on or before January 1, 20__, are not subject to optional prepayment prior to the respective stated maturities. The Certificates maturing on or after January 1, 20__, are subject to optional prepayment in whole or in part, on any date on or after January 1, 20__, from prepayments of the Installment Payments made at the option of the District under the prepayment provisions of the Installment Sale Agreement. Certificates shall be subject to prepayment under this subsection at a prepayment price equal to 100 percent of the principal amount of Certificates or portions thereof to be prepaid together with accrued interest represented thereby to the prepayment date, without premium.

Prepayment From Net Proceeds. The Certificates are subject to mandatory prepayment, on any date, in whole, or in part on a pro rata basis among maturities, from the net proceeds of insurance, sale or condemnation credited towards the prepayment of the Installment Payments by the District under the Installment Sale Agreement. Certificates are subject to prepayment from such net proceeds at a prepayment price equal to the principal amount represented thereby to be prepaid, without premium, together with accrued interest represented thereby to the prepayment date.

Mandatory Sinking Fund Prepayment. The Certificates maturing on January 1, 20__ (the "Term Certificates") are subject to mandatory prepayment in part by lot, at a prepayment price equal to 100 percent of the principal amount thereof to be prepaid, without premium, in the aggregate respective principal amounts and on January 1 in the respective years as set forth in the following table; *provided, however,* that if some but not all of the Term Certificates have been optionally prepaid as described above, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the Term Certificates so prepaid, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of $5,000:

Term Certificates Maturing
January 1, _____

Sinking Fund Prepayment Date (January 1)	***Principal Amount***
(maturity)	

EXHIBIT B

$_____
DIABLO WATER DISTRICT
2026 WATER REVENUE CERTIFICATES OF PARTICIPATION (GREEN BONDS)

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Oppenheimer & Co. Inc. ("Oppenheimer") hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Certificates").

1. ***Sale of the General Rule Maturities***. As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. [***Initial Offering Price of the Hold-the-Offering-Price Maturities***.

(a) Oppenheimer offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Certificates is attached to this certificate as Schedule B.

(b) As set forth in the Certificate Purchase Agreement, dated _____, 2026, by and between Oppenheimer and the Issuer (as defined below), Oppenheimer has agreed in writing that: (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Certificates of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"); and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Certificates during the Holding Period.]

3. ***Defined Terms***.

(a) *General Rule Maturities* means those Maturities of the Certificates listed in Schedule A hereto as the "General Rule Maturities."

(b) [*Hold-the-Offering-Price Maturities* means those Maturities of the Certificates listed in Schedule A hereto as the "Hold-the-Offering-Price Maturities."

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which Oppenheimer has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.]

(d) *Issuer* means the Diablo Water District.

(e) *Maturity* means Certificates with the same credit and payment terms. Certificates with different maturity dates, or Certificates with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.

(g) *Related Party* means any entity if an Underwriter and such entity are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profit interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(h) [*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Certificates. The Sale Date of the Certificates is _____, 2026.]

(h) *Underwriter* means: (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public; and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Oppenheimer's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Certificate as to Arbitrage of the Issuer and with respect to compliance with the federal income tax rules affecting the Certificates, and by Anzel Galvan LLP, in connection with rendering its opinion that the interest with respect to the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates.

OPPENHEIMER & CO. INC.

By:_____

Name:_____

Dated: _____, 2026

SCHEDULE A

SALE PRICES OF THE GENERAL RULE MATURITIES [AND INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES]

(*Attached*)

[SCHEDULE B

PRICING WIRE OR EQUIVALENT COMMUNICATION

(*Attached*)]

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY __, 2026

NEW ISSUE — BOOK-ENTRY ONLY **RATING: S&P: "[__]"**
See "RATING"

In the opinion of Anzel Galvan LLP, San Francisco, California, Special Counsel, under existing law and subject to certain qualifications described herein, the portion of the 2026 Installment Payments designated as and comprising interest is excludable from gross income for federal income tax purposes. In addition, interest evidenced by the 2026 Certificates is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, interest evidenced by the 2026 Certificates may affect the federal alternative minimum tax applicable to certain corporations. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. The District has designated the 2026 Installment Payments as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code. See "TAX MATTERS."

$[PAR]*
DIABLO WATER DISTRICT
2026 WATER REVENUE CERTIFICATES OF PARTICIPATION (GREEN BONDS)

Dated: Date of Delivery **Due: January 1, as shown below**

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THE 2026 CERTIFICATES. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The captioned certificates (the "2026 Certificates") evidence direct, undivided and proportionate interests of the Owners thereof in certain installment payments (the "2026 Installment Payments") to be made by the Diablo Water District (the "District") pursuant to the 2026 Installment Sale Agreement dated as of January 1, 2026 (the "2026 Installment Sale Agreement), between the District and CSDA Finance Corporation (the "Corporation"). The Corporation, for the benefit of the Owners of the 2026 Certificates, has assigned, among other things, its right to receive 2026 Installment Payments to U.S. Bank Trust Company, National Association, as trustee (the "Trustee").

The 2026 Certificates are being issued to (i) finance the acquisition, construction and improvement of certain capital improvements to the District's water system, and (ii) pay the costs of executing and delivering the 2026 Certificates.

The 2026 Certificates will be delivered as fully registered certificates, registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") in integral multiples of $5,000, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of certificates representing their ownership interest in the 2026 Certificates. The portion of the 2026 Installment Payments designated as and comprising interest is payable on January 1 and July 1 of each year, commencing July 1, 2026, by the Trustee to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the 2026 Certificates.

The 2026 Certificates are subject to prepayment prior to maturity. See "THE 2026 CERTIFICATES – Prepayment."

The District's obligation to make 2026 Installment Payments is a special obligation of the District payable and secured exclusively from Net Revenues of the District under the 2026 Installment Sale Agreement and other funds provided therefore in the 2026 Installment Sale Agreement. The District will not establish a debt service reserve fund for the 2026 Certificates.

The District previously incurred obligations that are outstanding and that are payable on a parity basis with the 2026 Installment Payments. In addition, under the 2026 Installment Sale Agreement, the District may incur additional debt secured by Net Revenues on a parity with the 2026 Installment Payments, provided that the conditions set forth in the 2026 Installment Sale Agreement are met. See "CERTAIN RISK FACTORS" and "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 CERTIFICATES – Parity Debt."

THE DISTRICT'S OBLIGATION TO MAKE 2026 INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES AND OTHER FUNDS PROVIDED THEREFORE IN THE 2026 INSTALLMENT SALE AGREEMENT. THE DISTRICT HAS NOT AGREED TO LEVY AND DOES NOT LEVY ANY FORM OF TAXATION TO PAY THE 2026 INSTALLMENT PAYMENTS.

MATURITY SCHEDULE – See Inside Front Cover Page

The 2026 Certificates are offered when, as and if executed and delivered, subject to approval as to legality by Anzel Galvan LLP, San Francisco, California, Special Counsel. Anzel Galvan LLP is also acting as Disclosure Counsel to the District. Certain legal matters will be passed upon for the District by Miliband Water Law, Sacramento, California, as General Counsel to the District. Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, is serving as counsel to the Underwriter. It is anticipated that the 2026 Certificates will be available for delivery in book-entry form on or about January __, 2026.

[Oppenheimer Logo]

The date of this Official Statement is: _____, 2026

* Preliminary; subject to change.

MATURITY SCHEDULE

$[PAR]*
DIABLO WATER DISTRICT
2026 WATER REVENUE CERTIFICATES OF PARTICIPATION
(GREEN BONDS)

(Base CUSIP† _____)

Maturity Date (January 1)	*Principal Amount*	*Interest Rate*	*Yield*	*Price*	*CUSIP†*

$____ - ____% Term Certificates due January 1, 20__; Yield ____%; Price ____ ; CUSIP†: ___

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2025 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Underwriter or their agents or counsel assume any responsibility for the accuracy of such numbers.
C Priced to optional redemption date of January 1 20__, at par.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations in connection with the offer or sale of the 2026 Certificates other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2026 Certificates by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers or Owners of the 2026 Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Purchaser does not guarantee the accuracy or completeness of such information.

This Official Statement and the information contained herein are subject to completion or amendment without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or any other parties described herein since the date hereof. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. This Official Statement is being submitted in connection with the sale of the 2026 Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the District. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget," "intend" or similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information in "THE WATER SYSTEM," "WATER SYSTEM FINANCIAL INFORMATION" and "CERTAIN RISK FACTORS."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS.

THE UNDERWRITER MAY OFFER AND SELL THE 2026 CERTIFICATES TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE 2026 CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The District maintains an Internet website. However, the information contained on or within such website is not incorporated in this Official Statement by such reference.

DIABLO WATER DISTRICT

BOARD OF DIRECTORS

Marilyn M. Tiernan, *President*
Jason Shaw, *Vice President*
Paul Seger*, Director*
Joe Kovalick, *Director*
Conan Moats, *Director*

DISTRICT STAFF

Daniel Muelrath, *General Manager*
Jennifer McCoy, *Finance and Accounting Manager*
Nacho Mendoza, *Water Operations Manager*
Kait Knight, *Board Secretary*

PROFESSIONAL SERVICES

General Counsel
Miliband Water Law
Sacramento, California

Special Counsel and Disclosure Counsel
Anzel Galvan LLP
San Francisco, California

Municipal Advisor
Urban Futures, Inc.
Walnut Creek, California

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

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[INSERT REGIONAL MAP]

[INSERT SERVICE AREA MAP]

OFFICIAL STATEMENT

$[PAR]*
DIABLO WATER DISTRICT
2026 WATER REVENUE CERTIFICATES OF PARTICIPATION
(GREEN BONDS)

INTRODUCTION

This Official Statement, which includes the front cover page, the inside front cover page, the table of contents and the appendices (the "**Official Statement**"), provides certain information concerning the execution and delivery of the Diablo Water District 2026 Water Revenue Certificates of Participation (Green Bonds) (the "**2026 Certificates**"). Descriptions and summaries of various documents set forth in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each such document for complete details of all the terms and conditions therein. All statements in this Official Statement are qualified in their entirety by reference to the applicable documents.

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, and the offering of the 2026 Certificates to potential investors is made only by means of the entire Official Statement. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in Appendix B.

Authorization

The 2026 Certificates are being executed and delivered pursuant to: (i) the provisions of a Trust Agreement, dated as of January 1, 2026 (the "**Trust Agreement**"), among Diablo Water District (the "**District**"), CSDA Finance Corporation, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "**Corporation**"), and U.S. Bank Trust Company, National Association, as trustee (the "**Trustee**"); (ii) a resolution adopted by the Board of Directors of the Corporation on November 13, 2025; and (iii) a resolution adopted by the Board of Directors of the District (the "**Board of Directors**") on December 10, 2025.

The District is located in the northeastern corner of Contra Costa County (the "**County**") in the State of California (the "**State**") about 50 miles northeast of San Francisco and provides water service over an area totaling approximately 21 square miles. See "THE DISTRICT."

Description of the 2026 Certificates

The 2026 Certificates will be dated the date of their initial delivery and will mature on the dates and in the principal amounts set forth on the inside front cover page of this Official Statement. The 2026 Certificates will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"), which will act as securities depository for the 2026 Certificates. See "THE 2026 CERTIFICATES" and "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 CERTIFICATES."

* Preliminary; subject to change.

Use of Proceeds

The proceeds of the 2026 Certificates will be used to: (i) finance the acquisition and construction of certain improvements to the District's facilities and property for the supply, treatment and distribution of water (the "**Water System**") and (ii) pay the costs of executing and delivering the 2026 Certificates. See "FINANCING PLAN."

Payment of Principal and Interest

The 2026 Certificates will be dated as of the date of original delivery, will bear interest at the rates per annum set forth on the inside cover page hereof payable semiannually on January 1 and July 1 (each, a "**Certificate Payment Date**"), commencing July 1, 2026. Principal on the 2026 Certificates is payable on January 1 of each year, commencing January 1, 2027, in the amounts set forth on the inside front cover, through the facilities of DTC upon the maturity or earlier redemption thereof. See "THE 2026 CERTIFICATES."

Prepayment of 2026 Certificates

The 2026 Certificates are subject to prepayment under certain circumstances. See "THE 2026 CERTIFICATES – Prepayment."

Security and Sources of Payment for the 2026 Certificates

The 2026 Certificates evidence direct, undivided and proportionate interests in certain installment payments (the "**2026 Installment Payments**") to be made by the District pursuant to an Installment Sale Agreement, dated as of January 1, 2026 (the "**2026 Installment Sale Agreement**"), between the District and the Corporation. Pursuant to the Trust Agreement, the Corporation has transferred, conveyed and assigned to the Trustee, for the benefit of the Owners, substantially all of the Corporation's rights in the 2026 Installment Sale Agreement, including the right to receive and collect all of the 2026 Installment Payments and all other amounts required to be deposited in the Certificate Payment Fund and the right to exercise any remedies provided therein in the event of a default by the District thereunder.

The payment of the 2026 Installment Payments is secured by a pledge of and lien on the Net Revenues (as defined in this Official Statement) and certain funds and accounts established and held by the Trustee under the Trust Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 CERTIFICATES – Security for the 2026 Installment Payments."

Under the 2026 Installment Sale Agreement, the Corporation agrees to sell the completed Project (as hereinafter defined) to the District in consideration of the payment by the District of the 2026 Installment Payments as provided therein, and the Corporation agrees to make a loan to the District for the purpose of providing funds to finance the acquisition and construction of certain improvements to the Water System.

Parity Debt

The District's pledge of Net Revenues as security for the 2026 Installment Payments will be on parity with the District's pledge of Net Revenues as security for the following obligations:

(i) the District's loan repayment and installment payment obligations (collectively, "**2019 Installment Payments**") under the Loan and Installment Sale Agreement dated as of November 1, 2019 (the "**2019 Installment Sale Agreement**"), between the District and the Public Property Financing Corporation of California ("**PPFCC**"); and

(ii) the District's loan repayment and installment payment obligations (collectively, "**2022 Installment Payments**") under the Loan and Installment Sale Agreement dated as of June 1, 2022 (the "**2022 Installment Sale Agreement**"), between the District and Capital One Public Funding, LLC.

After the execution and delivery of the 2026 Certificates, the 2019 Installment Payments and the 2022 Installment Payments will remain outstanding in the aggregate principal amounts of $5,945,000 and $8,582,000, respectively.

In addition to its obligations under the 2019 Installment Sale Agreement and the 2022 Installment Sale Agreement, the District may incur additional obligations under bonds, notes, leases, installment sale agreements or other obligations payable from and secured by a pledge of and lien upon any of the Net Revenues (collectively, "**Parity Debt**") if certain conditions in the 2026 Installment Sale Agreement are satisfied. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 CERTIFICATES – Parity Debt."

Rate Covenant

Pursuant to the 2026 Installment Sale Agreement, the District has covenanted, to the maximum extent permitted by law, to fix, prescribe and collect certain rates and charges related to the Water System to ensure the availability of Net Revenues to pay the 2019 Installment Payments, the 2022 Installment Payments, the 2026 Installment Payments and any other Parity Debt (as hereinafter defined). See "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 CERTIFICATES – Rate Covenants."

No Debt Service Reserve Fund

The District will not establish a debt service reserve fund for the 2026 Certificates.

Limited Obligation

THE DISTRICT'S OBLIGATION TO MAKE 2026 INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES AND OTHER FUNDS PROVIDED THEREFORE IN THE 2026 INSTALLMENT SALE AGREEMENT. THE DISTRICT HAS NOT AGREED TO LEVY AND DOES NOT LEVY ANY FORM OF TAXATION TO PAY THE 2026 INSTALLMENT PAYMENTS.

Continuing Disclosure

The District has agreed to file, or cause to be filed, with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("**EMMA**") for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission ("**Rule 15c2-12**") certain annual financial information and operating data and, in a timely manner, notice of certain listed events. These covenants have been made to assist the Underwriter in complying with Rule 15c2-12. See "CONTINUING

DISCLOSURE" herein for a description of the District's compliance with its prior continuing disclosure undertakings pursuant to Rule 15c2-12 and "APPENDIX F – FORM OF CONTINUING DISCLOSURE CERTIFICATE" for a description of the specific nature of the annual report and notices of listed events and the terms of the disclosure undertaking pursuant to which such reports are to be made.

Professionals

U.S. Bank Trust Company, National Association, San Francisco, California, will act as Trustee with respect to the 2026 Certificates. The 2026 Certificates will be executed and delivered subject to the approval as to their legality by Anzel Galvan LLP, San Francisco, California, Special Counsel. Certain legal matters will be passed upon for the District by Miliband Water Law, Sacramento, California, as General Counsel, and by Anzel Galvan LLP, as Disclosure Counsel. Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, is serving as counsel to the Underwriter. Urban Futures, Inc. Walnut Creek, California, is serving as municipal advisor to the District in connection with the 2026 Certificates Bonds.

Risk Factors

Certain events could affect the ability of the District to make the 2026 Installment Payments when due. See "CERTAIN RISK FACTORS" for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the 2026 Certificates.

Past Financial Performance Not a Guarantee

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "intend," "expect," "propose," "estimate," "project," "budget," "anticipate" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements that are described in this Official Statement to be materially different from any future results, performance or achievements that are expressed or implied by such forward-looking statements. No updates or revisions to these forward-looking statements will be issued if or when the expectations, events, conditions, or circumstances on which such statements are based change. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such forward-looking statements. **READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON SUCH FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF**.

Summaries Not Definitive

All descriptions and summaries of various documents in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each document. Certain capitalized terms used in this Official Statement and not defined in this Official Statement have the meaning given them in "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS." Copies of the documents described in this Official Statement are available from the District for a reasonable copying and mailing fee.

FINANCING PLAN

The Project

In 2021, the District adopted regulations to address climate variability and protection of the environment. First and foremost, the District adopted a carbon neutrality regulation (the "**Carbon Neutrality Regulation**") with the stated goal of achieving carbon-neutral operation by December 31, 2027.

A portion of the net proceeds of the 2026 Certificates will be used to finance the acquisition and construction of certain improvements to the Water System (the "**Project**") in furtherance of the District's carbon neutrality regulation by financing the installation of three emergency generators that use carbon-neutral fuels for facility locations at one production well site, the Corporation Yard, and the District's pumps located at the Randall-Bold Water Treatment Plant, solar arrays at Reservoir R2/R3 that are estimated to generate 600,000 kWh of carbon free energy per year, a fuel/farm 2kg renewable diesel tank for the Corporation Yard, and seismic upgrades which entails adding a steel band retrofit to the District's 5mg steel reservoir.

Designation as Green Bonds

Several organizations have created programs to support the Green Bond market, including the Green Bond Principles of the International Capital Market Association (the "**ICMA Principles**") and the Climate Bond Initiative of the Climate Statements Board (the "**CB Initiative**"), but there is currently a lack of agreed-upon standards for the types of activities undertaken by the District. Accordingly, in 2021, the District adopted a set of resolutions and regulations relating to the environment and sustainability (the "**Green Initiatives**"). The Green Initiatives focus on three primary areas: (1) groundwater sustainability and protections; (2) carbon neutrality; and (3) recycled water.

The 2026 Certificates will be designated as "Green Bonds" by the District due to the intended use of their net proceeds to finance the Project. The District believes that the use of the net proceeds of the 2026 Certificates to finance the Project will support the Green Initiatives as they relate to groundwater sustainability and protections and carbon neutrality.

The designation of the 2026 Certificates as Green Bonds is intended to allow investors the opportunity to invest directly in obligations that finance environmentally beneficial projects. The term "Green Bonds" is not defined in the Trust Agreement, and its use in this Official Statement is for identification purposes only and is not intended to provide or imply that the holders of the 2026 Certificates are entitled to any additional terms or security in addition to those provided in the Trust Agreement.

The District will account for the use of the net proceeds of the 2026 Certificates in its books and records. The District will post annual reports regarding the use of such proceeds with the EMMA system, annually, by each April 1, commencing [April 1, 2026]. The District will post a final list of projects funded with such proceeds on EMMA once all such proceeds have been spent. A form of such project report is attached as "APPENDIX H – FORM OF GREEN BONDS PROJECT REPORT."

The District currently expects the Project to be completed by December 31, 2027. Once all net proceeds of the 2026 Certificates have been spent, no further updates regarding the use of the net proceeds of the 2026 Certificates will be provided or filed.

Estimated Sources and Uses of Funds

The anticipated sources and uses of funds relating to the 2026 Certificates and certain funds on hand are as follows:

Source of Funds:	
Principal Amount of the 2026 Certificates	
[Net] Original Issue Premium	
Total Sources:	
Use of Funds:	
Project Fund	
Delivery Costs [(1)]	
Underwriter's Discount	
Total Uses:	

(1) Represents funds to be used to pay delivery costs, which include municipal advisory fees, legal fees, printing costs, rating agency fees, trustee fees, and other costs of executing and delivering the 2026 Certificates

THE 2026 CERTIFICATES

Description

The 2026 Certificates will be dated as of the date of original delivery, will bear interest at the rates per annum set forth on the inside cover page hereof payable semiannually on each 2026 Certificate Payment Date, commencing July 1, 2026, and will mature on the dates and in the amounts set forth on the inside front cover. Said interest represents the portion of 2026 Installment Payments designated as interest and coming due on each of the respective Certificate Payment Dates. The share of the portion of 2026 Installment Payments designated as interest with respect to any 2026 Certificate will be computed by multiplying the portion of 2026 Installment Payments designated as principal represented by the 2026 Certificate by the rate of interest represented by the 2026 Certificate (on the basis of a 360-day year of twelve 30-day months).

The 2026 Certificates will be executed and delivered in fully registered form without coupons. The 2026 Certificates are being executed and delivered in denominations of $5,000 principal amount or any integral multiple thereof. The 2026 Certificates, when executed and delivered, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. Ownership may be changed

only upon the registration books maintained by the Trustee as provided in the Trust Agreement. See the discussion under "– Transfer and Exchange" below.

The Trustee will pay interest represented by the 2026 Certificates on each 2026 Certificate Payment Date, to the person appearing on the Registration Books as the Owner thereof as of the close of business on the close of business on the 15th day of the month preceding each 2026 Certificate Payment Date, whether or not such 15th day is a Business Day (the "**Record Date**"), immediately preceding the 2026 Certificate Payment Date, by check mailed to the Owner by first class mail at the Owner's address appearing on the Registration Books.

At the written request of the Owner of 2026 Certificates in an aggregate principal amount of at least $1,000,000, which written request is on file with the Trustee as of the Record Date preceding any 2026 Certificate Payment Date, the Trustee will pay interest represented by the 2026 Certificates by wire transfer in immediately available funds to such account in the United States as is specified in the written request. The principal and prepayment price represented by any 2026 Certificate at maturity or upon prior prepayment is payable in lawful money of the United States of America upon surrender of 2026 Certificate at the Trust Office of the Trustee. Notwithstanding the foregoing, while the 2026 Certificates are held in the book-entry only system of DTC, all such payments of principal, interest and premium, if any, will be made to Cede & Co. as the registered owner of the 2026 Certificates, for subsequent disbursement to Participant and beneficial owners. While the 2026 Certificates are held in the book-entry only system of DTC, all notices and payments will be made to Cede & Co., as the registered owner of the 2026 Certificates. See "APPENDIX F – BOOK ENTRY ONLY SYSTEM."

Prepayment[*]

Optional Prepayment. The 2026 Certificates maturing on or before January 1, 20__, are not subject to optional prepayment prior to the respective stated maturities. The 2026 Certificates maturing on or after January 1, 20__, are subject to optional prepayment in whole or in part, on any date on or after January 1, 20__, from prepayments of the 2026 Installment Payments made at the option of the District under the prepayment provisions of the 2026 Installment Sale Agreement. 2026 Certificates shall be subject to prepayment under this subsection at a prepayment price equal to 100 percent of the principal amount of 2026 Certificates or portions thereof to be prepaid together with accrued interest represented thereby to the prepayment date, without premium.

Mandatory Sinking Fund Prepayment. The 2026 Certificates maturing on January 1, 20__ (the "**2026 Term Certificates**") are subject to mandatory prepayment in part by lot, at a prepayment price equal to 100 percent of the principal amount thereof to be prepaid, without premium, in the aggregate respective principal amounts and on January 1 in the respective years as set forth in the following table; *provided, however,* that if some but not all of the 2026 Term Certificates have been optionally prepaid as described above, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the 2026 Term Certificates so prepaid, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of $5,000.

[*] Preliminary; subject to change.

Sinking Fund Prepayment Date (January 1)	Principal Amount To Be Prepaid
(Maturity)	

Prepayment From Net Proceeds of Insurance, Sale and Condemnation. The 2026 Certificates are subject to mandatory prepayment, on any date, in whole, or in part on a pro rata basis among maturities, from the net proceeds of insurance, sale or condemnation credited towards the prepayment of the 2026 Installment Payments by the District under the 2026 Installment Sale Agreement. 2026 Certificates are subject to prepayment from such net proceeds at a prepayment price equal to the principal amount represented thereby to be prepaid, without premium, together with accrued interest represented thereby to the prepayment date.

Notice of Optional Prepayment. When prepayment is authorized or required under the Trust Agreement as described above, the Trustee will give notice of the prepayment of the 2026 Certificates on behalf and at the expense of the District. Such notice must state the prepayment date and prepayment price and, if less than all of the then Outstanding 2026 Certificates of any maturity are to be called for prepayment, shall designate the numbers of the 2026 Certificates to be prepaid by giving the individual number (including the CUSIP number) of each 2026 Certificate or by stating that all Certificates between two stated numbers, both inclusive, have been called for prepayment or by stating that all of the 2026 Certificates of one or more maturities have been called for prepayment, and shall require that 2026 Certificates be surrendered on the designated prepayment date at the Trust Office of the Trustee for prepayment at said prepayment price, giving notice also that further interest represented by the 2026 Certificates will not accrue from and after the prepayment date. The notice shall further state that on the specified date there shall become due and payable upon each 2026 Certificate, the principal thereof with interest accrued to said date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

The District has the right to rescind any notice of the optional prepayment of 2026 Certificates by written notice to the Trustee on or prior to the dated fixed for prepayment. Any notice of prepayment shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the 2026 Certificates then called for prepayment, and such cancellation shall not constitute an Event of Default. The District and the Trustee have no liability to the 2026 Certificate Owners or any other party related to or arising from such rescission of prepayment. The Trustee shall mail notice of such rescission of prepayment in the same manner as the original notice of redemption was sent.

At least 20 days but not more than 60 days prior to the prepayment date, the Trustee will mail notice of prepayment by first-class mail with postage prepaid, to the Owners of 2026 Certificates designated for prepayment at their respective addresses appearing on the Registration Books. In addition, the Trustee will give notice of prepayment by telecopy, electronic mail or certified, registered or overnight mail to each Securities Depository at least two days prior to such mailing to the 2026 Certificate Owners. Such notice shall, in addition to setting forth the above information, set forth, in the case of each 2026 Certificate called only in part, the portion of the principal represented thereby which is to be prepaid; *provided, however,* that neither failure to receive such notice so mailed nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of

2026 Certificates or the cessation of accrual of interest represented thereby from and after the date fixed for prepayment.

However, while the 2026 Certificates are subject to DTC's book-entry system, the Trustee will be required to give notice of prepayment only to DTC as provided in the letter of representations executed by the District and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of prepayment to the Beneficial Owners of the 2026 Certificates to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any 2026 Certificates to be prepaid, of a notice of prepayments or its content or effect will not affect the validity of the notice of prepayment or alter the effect of prepayment set forth in the Trust Agreement.

Partial Prepayment. Upon surrender of any 2026 Certificate prepaid in part only, the Trustee will execute and deliver to the Owner thereof, at the expense of the District, a new 2026 Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unprepaid portion of the 2026 Certificate surrendered and of the same interest rate and the same maturity.

Selection of 2026 Certificates for Prepayment. Whenever provision is made for the prepayment of 2026 Certificates and less than all Outstanding 2026 Certificates of any one maturity are called for prepayment, the Trustee will select Certificates for prepayment within such maturity by lot in any manner deemed fair by the Trustee and in accordance with the rules of the Securities Depositories. For the purposes of such selection, 2026 Certificates will be deemed to be composed of $5,000 portions, and any such portion may be separately prepaid. The Trustee will promptly notify the District in writing of the 2026 Certificates or portions thereof so selected for prepayment. The selection by the Trustee of any 2026 Certificates for prepayment is final and conclusive.

Selection of 2026 Certificates for Prepayment. Whenever provision is made in the Trust Agreement for the prepayment of 2026 Certificates and less than all Outstanding 2026 Certificates of any one maturity are called for prepayment, the Trustee will select Certificates for prepayment within such maturity by lot in any manner deemed fair by the Trustee. For the purposes of such selection, 2026 Certificates will be deemed to be composed of $5,000 portions, and any such portion may be separately prepaid. The Trustee will promptly notify the District in writing of the 2026 Certificates or portions thereof so selected for prepayment. The selection by the Trustee of any 2026 Certificates for prepayment is final and conclusive.

Effect of Notice of Prepayment. Moneys for the prepayment (including the interest to the applicable date of prepayment) of 2026 Certificates having been set aside in the Certificate Payment Fund, the 2026 Certificates shall become due and payable on the date of such prepayment, and, upon presentation and surrender thereof at the Trust Office of the Trustee, said Certificates will be paid at the unpaid principal amount (or applicable portion thereof) represented thereby plus interest accrued and unpaid to said date of prepayment.

If, on said date of prepayment, moneys for the prepayment of all the 2026 Certificates to be prepaid, together with interest represented thereby to said date of prepayment, shall be held by the Trustee so as to be available therefor on such date of prepayment, then, from and after said date of prepayment, interest represented by the 2026 Certificates shall cease to accrue and become payable. All moneys held by the Trustee for the prepayment of 2026 Certificates shall be held in trust for the account of the Owners of the 2026 Certificates so to be prepaid and shall be held by the Trustee in trust uninvested.

Purchase in Lieu of Prepayment. In lieu of prepayment of 2026 Certificates as described above, amounts held by the Trustee for such prepayment shall, at the written request of the District Representative received by the Trustee no later than 60 days prior to the prepayment date, be applied by the Trustee to the purchase of 2026 Certificates at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the District may in its discretion direct, but not to exceed the prepayment price which would be payable if 2026 Certificates were prepaid. The aggregate principal amount of 2026 Certificates of the same maturity purchased in lieu of prepayment may not exceed the aggregate principal amount of 2026 Certificates of such maturity which would otherwise be subject to such prepayment.

Book-Entry System

DTC will act as securities depository for the 2026 Certificates. The 2026 Certificates will be issued as fully registered Certificates registered in the name of Cede & Co., (DTC's partnership nominee). One fully registered Certificate will be issued for each maturity of the 2026 Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX F – Book Entry Only System."

The District and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium with respect to the 2026 Certificates paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The District and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the 2026 Certificates or an error or delay relating thereto.

Transfer and Exchange

So long as the 2026 Certificates are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges by beneficial owners of their interest in the 2026 Certificates will be made in accordance with DTC procedures and not as hereinafter described. See "APPENDIX F – Book Entry Only System."

The registration of any 2026 Certificate may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by a duly authorized attorney, upon surrender of the 2026 Certificate for cancellation at the Trust Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed.

Whenever any 2026 Certificate or Certificates shall be surrendered for registration of transfer, the Trustee will execute and deliver a new 2026 Certificate or Certificates representing the same maturity, interest rate and aggregate principal amount, in any authorized denominations. The District shall pay all costs of the Trustee incurred in connection with any such transfer, except that the Trustee may require the payment by the 2026 Certificate Owner of any tax or other governmental charge required to be paid with respect to such transfer.

Certificates may be exchanged at the Trust Office of the Trustee, for a like aggregate principal amount of 2026 Certificates representing other authorized denominations of the same interest rate and maturity. The District shall pay all costs of the Trustee incurred in connection with any such exchange,

except that the Trustee may require the payment by the 2026 Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee may refuse to transfer or exchange either (i) any 2026 Certificate during the period established by the Trustee for the selection of 2026 Certificates for prepayment, or (ii) the portion of any 2026 Certificate which the Trustee has selected for prepayment under the provisions of the Trust Agreement.

DEBT SERVICE SCHEDULES

The table below shows scheduled annual 2026 Installment Payments, assuming no optional prepayments or special mandatory prepayments from insurance or condemnation proceeds.

Year Ending January 1	***Principal***	***Interest***	***Total 2026 Installment Payments***
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
Total			

_____
Source: Oppenheimer & Co. Inc.

The table below shows scheduled annual 2019 Installment Payments, 2022 Installment Payments and 2026 Installment Payments, assuming no optional prepayments or special mandatory prepayments from insurance or condemnation proceeds.

Year Ending January 1	*2019 Installment Payments*	*2022 Installment Payments*	*2026 Installment Payments*	*Total Payments*
2027	$707,800.00	$929,449.40	$	$
2028	709,000.00	931,012.30		
2029	704,400.00	929,835.80		
2030	709,200.00	927,980.90		
2031	443,000.00	485,447.60		
2032	446,600.00	485,655.90		
2033	449,600.00	485,483.20		
2034	447,000.00	485,929.50		
2035	454,000.00	485,956.70		
2036	215,200.00	485,564.80		
2037	215,400.00	485,753.80		
2038	215,400.00	485,485.60		
2039	215,200.00	485,760.20		
2040	214,800.00	485,539.50		
2041	214,200.00	485,823.50		
2042	213,400.00	485,574.10		
2043	212,400.00	485,791.30	--	
2044	211,200.00	485,437.00	--	
2045	214,800.00	485,511.20	--	
2046	213,000.00	484,975.80	--	
2047	216,000.00	485,830.80	--	
2048	213,600.00	--	--	
2049	211,000.00	--	--	
2050	213,200.00	--	--	
Total	$8,279,400.00	$11,973,798.90	$	$

Source: Oppenheimer & Co. Inc.

SECURITY AND SOURCES OF PAYMENT FOR THE 2026 CERTIFICATES

General

The 2026 Certificates evidence and represent direct, undivided proportionate interests of the Owners thereof in the 2026 Installment Payments to be made by the District under the 2026 Installment Sale Agreement. The Corporation, pursuant to the Trust Agreement, has transferred, conveyed and assigned to the Trustee, for the benefit of the Owners of the 2026 Certificates, substantially all of the Corporation's rights under the 2026 Installment Sale Agreement, including the right to receive 2026 Installment Payments from the District and the right to exercise any remedies in the event of a default by the District.

Certificate Payment Fund

The Trustee will establish and maintain a special fund designated as the "Certificate Payment Fund" (the "**Certificate Payment Fund**") into which the Trustee will deposit the 2026 Installment Payments paid to the Trustee under the 2026 Installment Sale Agreement. All moneys at any time deposited by the Trustee in the Certificate Payment Fund shall be held by the Trustee in trust for the benefit of the District and the Owners of the 2026 Certificates. So long as any 2026 Certificates are Outstanding, neither the District nor the Corporation has any beneficial right or interest in the Certificate Payment Fund or the moneys deposited therein, except only as provided in the 2026 Installment Sale Agreement or in the Trust Agreement, and such moneys shall be used and applied by the Trustee as described below.

Except as provided in the provisions of the Trust Agreement relating to surplus and payment of fees and expenses of the Trustee in declaring and enforcing an Event of Default and in the performance of its powers and duties under the Trust Agreement, the Trustee will apply amounts in the Certificate Payment Fund solely for the purpose of paying the principal and interest represented by the 2026 Certificates as the same shall become due and payable, including the principal amount of any 2026 Term Certificates required to be prepaid. If the amounts on deposit in the Certificate Payment Fund are at any time insufficient to pay the amount of principal and interest then due and payable with respect to the 2026 Certificates, such amounts shall be applied first, to the payment of interest then due and payable with respect to the 2026 Certificates and second, to the payment of principal then due and payable with respect to the 2026 Certificates.

At the written request of the District any surplus remaining in the Certificate Payment Fund, after prepayment and payment of all Certificates, including all accrued interest (if any) and payment of any applicable fees and expenses to the Trustee, will be withdrawn by the Trustee and remitted to the District.

2026 Installment Payments

The 2026 Installment Sale Agreement requires the District to make semi-annual payments of 2026 Installment Payments on the 5th Business Day preceding each 2026 Certificate Payment Date, and continuing thereafter during the term of the 2026 Certificates, in the amounts specified in the 2026 Installment Sale Agreement. As a result of the assignment by the Corporation to the Trustee, the District will pay the 2026 Installment Payments directly to the Trustee.

Security for the 2026 Installment Payments

Pursuant to the 2026 Installment Sale Agreement, all the Net Revenues and all moneys on deposit in any of the funds and accounts established and held by the Trustee under the Trust Agreement (excluding the Project Fund and the Costs of Issuance Fund) are irrevocably pledged, charged and assigned to the punctual payment of the 2026 Installment Payments.

The Trust Agreement defines "**Gross Revenues**" to mean all gross charges received for, and all other gross income and receipts derived by the District from, the ownership and operation of the Water System or otherwise arising from the Water System, including but not limited to investment earnings thereon, and including Connection Charges. "Gross Revenues" do not include (a) the proceeds of any *ad valorem* property taxes levied for the purpose of paying general obligation bonds of the District relating to the Water System, and (b) the proceeds of any special assessments or special

taxes levied upon real property within any improvement district for the purpose of paying special assessment bonds or special tax obligations of the District relating to the Water System. For the avoidance of doubt, "Gross Revenues" for any Fiscal Year include amounts transferred from the Rate Stabilization Fund into the Water Fund pursuant to the 2026 Installment Sale Agreement, and exclude amounts transferred from the Water Fund into the Rate Stabilization Fund during such Fiscal Year.

The Trust Agreement defines "**Net Revenues**" to mean, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

The Trust Agreement defines "**Operation and Maintenance Costs**" to mean the reasonable and necessary costs and expenses paid by the District for maintaining and operating the Water System, including but not limited to (a) the cost of acquiring water, (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water System in good repair and working order, and (c) the reasonable administrative costs of the District attributable to the operation and maintenance of the Water System; but in all cases excluding (i) interest expense relating to obligations of the District with respect to the Water System, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

Flow of Funds

Deposit of Net Revenues into Water Fund; Transfers to Make Payments. The District previously established a fund or funds for the deposit of Gross Revenues (collectively, the "**Water Fund**"), which the District will continue to hold and maintain for the purposes and uses described in the 2026 Installment Sale Agreement. The District will deposit all Gross Revenues in the Water Fund immediately on receipt. The District will apply amounts in the Water Fund as set forth in the 2026 Installment Sale Agreement and the Parity Debt Documents (which include the 2019 Installment Sale Agreement and the 2022 Installment Sale Agreement). The District will apply amounts on deposit in the Water Fund to pay when due the following amounts in the following order of priority:

(i) all Operation and Maintenance Costs;

(ii) the 2026 Installment Payments, and all payments of principal of and interest on all outstanding Parity Debt;

(iii) to the Trustee the amount of any deficiency in any reserve fund established for any outstanding Parity Debt, the notice of which deficiency has been sent to the District in accordance with the related Parity Debt Documents;

(iv) any other payments required to comply with the provisions of the 2026 Installment Sale Agreement and the Parity Debt Documents; and

(v) any other purposes authorized under the 2026 Installment Sale Agreement as described below under the sub-caption "– *Other Uses of Net Revenues Permitted*."

Under the District's books and records, the activities of the Water Fund are accounted under two separate funds – the District's General Water Fund (the "**General Water Fund**") and its Facilities

Reserve Fund (the "**Facilities Reserve Fund**"). See "THE DISTRICT – Governance and Management – Management Policies – Reserve Policy" for information regarding the Facilities Reserve Fund.

No Preference or Priority. If, at any time, there is a deficiency in Net Revenues available to pay the 2026 Installment Payments, and any amounts due with respect to Parity Debt, available Net Revenues shall be applied on a pro rata basis to the payment thereof. If, at any time, there is a deficiency in Net Revenues available to replenish any reserve fund established for any Parity Debt, available Net Revenues shall be applied to the replenishment thereof on a pro rata basis.

Other Uses of Net Revenues Permitted. The District will manage, conserve and apply the Net Revenues on deposit in the Water Fund in such a manner that all deposits required to be made to the Water Fund described above will be made at the times and in the amounts so required. Subject to the foregoing sentence, so long as no Event of Default has occurred and is continuing, the District may use and apply moneys in the Water Fund for (i) the payment of any subordinate obligations or any unsecured obligations, (ii) the acquisition and construction of improvements to the Water System, (iii) the prepayment of any other obligations of the District relating to the Water System, or (iv) any other lawful purposes of the District.

Rate Stabilization Fund

General. The District previously established a fund known as the "Rate Stabilization Fund" (the "**Rate Stabilization Fund**") held by it for the purpose of stabilizing the rates and charges imposed by the District with respect to the Water System.

Amounts on deposit in the Rate Stabilization Fund are not pledged to and will not secure the 2026 Installment Payments or any Parity Debt. All interest or other earnings on deposits in the Rate Stabilization Fund will be retained therein or, at the option of the District, be applied for any other lawful purposes. The District has the right at any time to withdraw any or all amounts on deposit in the Rate Stabilization Fund and apply such amounts for any lawful purposes of the District.

Deposits and Withdrawals. Under the 2026 Installment Sale Agreement, from time to time the District may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien that secures the 2026 Installment Payments and Parity Debt, as the District may determine.

The District may, but is not required to, withdraw amounts on deposit in the Rate Stabilization Fund and deposit such amounts in the Water Fund in any Fiscal Year for the purpose of paying the 2026 Installment Payments and the principal of and interest on any Parity Debt coming due and payable in such Fiscal Year.

Amounts so transferred from the Rate Stabilization Fund to the Water Fund in any Fiscal Year constitute Gross Revenues for that Fiscal Year (except for purposes of the provisions in the 2026 Installment Sale Agreement relating to the issuance of Parity Debt) and will be applied for the purposes of the Water Fund. Gross Revenues do not include funds transferred from the Water Fund into the Rate Stabilization Fund during a Fiscal Year.

Springing Amendment. Effective on and after the date the 2019 Certificates are no longer Outstanding, the provisions of the 2026 Installment Sale Agreement relating to deposits and

withdrawals described under the caption "– Deposits and Withdrawals" above will be amended to read in their entirety as follows:

(b) *Deposits and Withdrawals.* From time to time the District may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien that secures the 2026 Installment Payments and Parity Debt, as the District may determine.

The District may, but is not required to, withdraw amounts on deposit in the Rate Stabilization Fund and deposit such amounts in the Water Fund for any Fiscal Year for the purpose of paying the 2026 Installment Payments and the principal of and interest on any Parity Debt coming due and payable in such Fiscal Year. Deposits for each Fiscal Year may be made until (but not after) the date that is 120 days after the end of such Fiscal Year.

Amounts so transferred from the Rate Stabilization Fund to the Water Fund in any Fiscal Year constitute Gross Revenues for that Fiscal Year (except for purposes of the provisions in the 2026 Installment Sale Agreement relating to the issuance of Parity Debt), and will be applied for the purposes of the Water Fund. Gross Revenues do not include funds transferred from the Water Fund into the Rate Stabilization Fund for a Fiscal Year.

"See "THE DISTRICT – Governance and Management – Management Policies – Reserve Policy" for additional information regarding the Rate Stabilization Fund.

Parity Debt

Existing Parity Debt. On the date the 2026 Certificates are executed and delivered, the District's Parity Debt will consist of the 2019 Installment Payments and the 2022 Installment Payments. After the execution and delivery of the 2026 Certificates, the 2019 Installment Payments and the 2022 Installment Payments will remain outstanding in the aggregate principal amount of $5,945,000 and $8,582,000, respectively.

At the direction of the Corporation, MUFG Union Bank, N.A., as predecessor trustee, executed and delivered 2019 Water Revenue Certificates of Participation in the aggregate original principal amount of $8,380,000 (the "**2019 Certificates**"), evidencing direct, undivided fractional interests in the 2019 Installment Payments. The 2019 Certificates are additionally secured by a pledge and lien on amounts on deposit in a debt service reserve fund (the "**2019 Certificates Reserve Fund**") established and held under a Trust Agreement dated as of November 1, 2019, among the District, PPFCC, and U.S. Bank Trust Company, National Association, as successor trustee. Amounts on deposit in the 2019 Certificates Reserve Fund are not available to pay the 2022 Installment Payments, the 2026 Installment Payments or any other obligations of the District except the payments due with respect to the 2019 Certificates.

Future Parity Debt. Under the 2026 Installment Sale Agreement, the District may issue or incur any additional Parity Debt in the future upon satisfaction of all the following conditions:

(a) No Event of Default has occurred and is continuing.

(b) The Net Revenues, calculated in accordance with sound accounting principles, as shown by the books of the District for the latest Fiscal Year for which audited financial

statements are available, or as shown by the books of the District for any more recent 12-month period selected by the District, in either case verified by a certificate or opinion of an Independent Accountant employed by the District, plus (at the option of the District) the Additional Revenues, are at least equal to 125 percent of the amount of Maximum Annual Debt Service. For purposes of computing such Net Revenues, the amount of Gross Revenues shall not include any amounts transferred from a Rate Stabilization Fund to the Water Fund. If the Parity Debt is being issued solely to prepay 2026 Installment Payments or any other Parity Debt, and such refunding produces debt service savings in every year during the term thereof, the District shall not be required to comply with the provisions described above.

(c) The trustee or Trustee (if any) for such Parity Debt is the same entity performing the functions of Trustee under the Trust Agreement.

(d) The District will deliver to the Trustee a written certificate of a District Representative certifying that the conditions precedent to the issuance of such Parity Debt described above have been satisfied.

The Trust Agreement defines "**Maximum Annual Debt Service**" to mean, as of the date of any calculation, the maximum sum obtained for the current or any future Fiscal Year so long as any of the 2026 Certificates remain Outstanding by totaling (i) the aggregate amount of 2026 Installment Payments coming due and payable in such Fiscal Year, plus (ii) the aggregate of the principal and interest of all outstanding Parity Debt, if any, coming due and payable by their terms in such Fiscal Year.

The Trust Agreement defines "**Additional Revenues**" to mean, with respect to the issuance of any Parity Debt, any or all the following amounts:

(a) An allowance for Net Revenues from any additions or improvements to or extensions of the Water System to be constructed by the District from the proceeds of such Parity Debt, or which have been previously constructed by the District from any other source of funds but which were not in service during any part of the preceding Fiscal Year, in an amount equal to 80 percent of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following the issuance of the proposed Parity Debt, all as shown by the certificate or opinion of a qualified independent consultant retained by the District.

(b) An allowance for Net Revenues arising from any increase in the charges made for service from the Water System which has been adopted prior to the incurring of such Parity Debt, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of the most recent completed Fiscal Year or during any more recent 12-month period selected by the District, all as shown by the certificate or opinion of a qualified independent consultant retained by the District.

No Senior Obligations

In the 2026 Installment Sale Agreement, the District covenants not to issue or incur any additional bonds or other obligations having any priority in payment of principal or interest out of the Net Revenues over the 2026 Installment Payments.

Subordinate Obligations

Nothing in the 2026 Installment Sale Agreement limits or affects the ability of the District to issue or incur obligations that are either unsecured or that are secured by an interest in the Net Revenues that is junior and subordinate to the pledge of and lien upon the Net Revenues established under the 2026 Installment Sale Agreement.

Rate Covenants

Gross Revenues Covenant. In the 2026 Installment Sale Agreement, the District covenants to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues sufficient to pay the following amounts in the following order of priority:

(i) All Operation and Maintenance Costs estimated by the District to become due and payable in the Fiscal Year.

(ii) All 2026 Installment Payments and payments of principal of and interest on outstanding Parity Debt as they become due and payable during the Fiscal Year, without preference or priority.

(iii) All amounts, if any, required to restore the balance in any reserve fund established for any outstanding Parity Debt in accordance with the related Parity Debt Documents.

(iv) All payments required to meet any other obligations of the District which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues during such Fiscal Year.

Net Revenues Covenant. In addition, the District covenants to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which are sufficient to yield Net Revenues which are at least equal to 125 percent of the amount of all 2026 Installment Payments and payments of principal of and interest on all outstanding Parity Debt coming due and payable during the Fiscal Year. For purposes of this covenant, the amount of Net Revenues for a Fiscal Year will be computed by including in Gross Revenues all Connection Charges received in the Fiscal Year and all amounts transferred into the Water Fund from the Rate Stabilization Fund for such Fiscal Year in accordance with the provisions of the 2026 Installment Sale Agreement. See "– Rate Stabilization Fund."

No Debt Service Reserve Fund

The District will not establish a debt service reserve fund for the 2026 Certificates.

Additional Covenants

The District makes certain additional covenants in the 2026 Installment Sale Agreement and the Trust Agreement, including a covenant to maintain and preserve the Water System and a covenant to maintain insurance. See "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Limited Obligation

The District's obligation to pay the 2026 Installment Payments is a special obligation, limited solely to the Net Revenues. Under no circumstances will the District be required to advance any moneys derived from any source of income other than the Net Revenues and other sources specifically identified in the 2026 Installment Sale Agreement for the payment of the 2026 Installment Payments, or to levy any form of taxation. No other funds or property of the District will be liable for the payment of the 2026 Installment Payments.

THE CORPORATION

The Corporation was established in 1988, as a California nonprofit public benefit corporation, to provide financial assistance to certain special districts which are members of the California Special Districts Association by acquiring, constructing and financing various public facilities and equipment for the use, benefit and enjoyment of the public. The Corporation also provides such financial assistance to certain Associate Members of the California Special Districts Association as such membership is defined by the Bylaws of the California Special Districts Association, provided that any such Associate Member is otherwise authorized by law to issue tax-exempt municipal obligations of the type issued by the financing program conducted by the Corporation. The District is a member of the California Special Districts Association, but is unrelated to the Corporation.

The Corporation has no financial liability to the owners of the 2026 Certificates with respect to the payment of 2026 Installment Payments or Parity Debt by the District or with respect to the performance by the District of the other agreements and covenants it is required to perform.

The Corporation functions as an independent entity and its policies are determined by a board of directors. Under the bylaws of the Corporation, the authorized number of directors is seven and identical to the number of members of the California Special Districts Association Finance Corporation Committee. Directors of the Corporation receive no compensation for work or service performed as Corporation directors.

THE DISTRICT

General

The District provides potable water service to the City of Oakley, California, and unincorporated areas in the northwestern corner of the County consisting of Cypress Corridor, Hotchkiss Tract, Summer Lakes, and portions of Bethel Island and the Town of Knightsen. The population within the District's 21-square-mile service area is approximately 45,000 as of January 1, 2025. Land use in the District consists primarily of single-family residences. See "– Land Use and Service Area."

The District was established in 1953 under the County Water District Law of California (Division 12 of the California Water Code) to provide water supply to communities within its service area. Originally the District was named Oakley Water District. In May 1993, the District officially changed its name to Diablo Water District.

The District currently supplies potable water to approximately 14,031 connections that serve residential, commercial, and irrigation customers as well as private fire lines. Of the total connections, 14,031, or 100 percent, are metered. Of the metered connections, 13,434 are single-family residential customers, 29 are multi-family customers, and the remaining 568 are commercial, governmental and other non-residential customers. See "APPENDIX C – ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF OAKLEY AND THE COUNTY OF CONTRA COSTA" for additional information regarding the District's service area.

The District's water supply consists of raw water that is purchased from the Contra Costa Water District ("**CCWD**") and treated at a surface water treatment plant that is co-owned by DWD and CCWD and water from two groundwater wells owned by the District. See "THE WATER SYSTEM – Source of Water." Water purchased from CCWD supplied approximately 86 percent of the District's annual water demand for Fiscal Year 2024-25 and accounted for approximately 31 percent of the District's Operation and Maintenance Costs. See "WATER SYSTEM FINANCIAL INFORMATION." Water from the District's groundwater wells supplied approximately 14 percent of the District's annual water supply in Fiscal Year 2024-25. The projected operating results set forth under the caption "WATER SYSTEM FINANCIAL INFORMATION" assume that 15 percent of the District's water supply comes from groundwater wells.

The Water System's infrastructure includes: (i) 175 miles of water main; (ii) three reservoirs with a combined storage capacity of 12.5 million gallons; (iii) two boosters; and (iv) two pump stations. See "THE WATER SYSTEM – General."

Land Use and Service Area

The District's service area is primarily residential. Its service area is divided into the three regions: (i) West of Jersey Island Road; (ii) East of Jersey Island Road but not including Bethel Island; and (iii) Bethel Island, including Delta Coves. The District anticipates increases in demand for water service in its service area in the future as the service area is not fully built. The District estimates that full build-out will occur in 2040. See "THE WATER SYSTEM – Projected Water System Demand."

Governance and Management

General. The District is governed by a five-member Board of Directors elected by registered voters in the District to serve staggered four-year terms. The members of the Board of Directors are elected by division within the District. The following table lists the current directors, noting the initial year of election or appointment to office and the final date of the current term of office.

Board of Directors Member	*Expiration of Term*	*Date of Board Appointment*
Marilyn M. Tiernan, President	December 2028	November 3, 2020
Jason Shaw, Vice President	December 2026	November 8, 2022
Paul Seger, Director	December 2026	December 19, 2018
Joe Kovalick, Director	December 2028	November 3, 2020
Conan Moats, Director	December 2026	July 31, 2025

Day-to-day management of the District is delegated to the General Manager, Daniel Muelrath. Mr. Muelrath has served as the District's General Manager since December 2018. Before coming to the District, he served as the General Manager at Valley of the Moon Water District in Sonoma, where he worked for six years. Mr. Muelrath has over 20 years of experience working with public water agencies, including twelve years as a General Manager. Mr. Muelrath earned a Master's in Business Administration and a Bachelor of Science in Agribusiness, with a minor in Water Science Engineering from California Polytechnic State University. Mr. Muelrath is also a Certified Special District Manager.

Jennifer McCoy is the Finance & Accounting Manager of the District. Ms. McCoy has over 20 years of finance and accounting experience with public agencies, including fourteen years as the Finance & Accounting Manager at the District. She earned a Bachelor of Science in Business Administration from California State University, East Bay, and a Governmental Accounting Certificate from the University of Georgia.

Management Policies. The District has adopted several policies which are designed to ensure effective management of District operations, including a Debt Management Policy, a Reserve Fund Management Policy and an investment policy. Further information about these policies is set forth below.

Debt Management Policy. The District has adopted a Debt Management Policy in accordance with California Government Code Section 8855 to establish guidelines and parameters for the effective governance, management and administration of debt issued by the District and its related entities and to ensure compliance with legislation, statutes and laws that place regulations on local agency debt. The following elements have been incorporated into the policy:

- The purposes for which debt may be incurred;
- The types of debt that may be issued;
- The relationship of the debt to, and integration with, the District's capital improvement program or budget;
- Policy goals related to the District's planning goals and objectives; and
- Debt management practices, including the investment of proceeds, compliance with continuing disclosure undertakings and other post-issuance compliance matters.

Reserve Policy. Under the District's Reserve Fund Management Policy, the District maintains the following reserves: (1) Rate Stabilization Fund; (2) General Operating Reserve; (3) Capital Reserve; (4) Emergency Reserve; and (5) Facilities Reserve. The Reserve Fund Management Policy is subject to change at the discretion of the Board of Directors and nothing in the 2026 Installment Sale Agreement requires that the District maintain a balance in the reserves described

below. The District cannot provide any assurance that the Board of Directors will not in the future amend its Reserve Fund Management Policy so as to reduce or eliminate any such reserves.

Rate Stabilization Fund. The Rate Stabilization Fund is to be used for up to 10 percent temporary revenue reductions due to economic or drought-induced conditions, larger than budgeted increases in wholesale water rates, minor fluctuations in cash flow, and other prudent expenses authorized by the Board of Directors. The target balance for the Rate Stabilization Fund is $1 million. As of June 30, 2025, the balance in the Rate Stabilization Fund was $1 million.

General Operating Reserve. The General Operating Reserve is available for working capital to meet cash flow shortfalls, unexpected capital asset replacement, and minor emergencies (less than $1 million). The target balance for the General Operating Reserve is equal to three months of current Fiscal Year operating and maintenance expenses. As of June 30, 2025, the balance in the General Operating Reserve was approximately $6.4 million, or 4 months of operating and maintenance expenses for Fiscal Year 2025-26.

Capital Reserve. The Capital Reserve is available for repair and rehabilitation of capital assets for pay-as-you-go projects or a combination of pay-as-you-go and debt-financed projects. The target balance for the Capital Reserve is equal to $2 million, and the District is targeting reaching such balance by 2026. As of June 30, 2025, the balance in the Capital Reserve was approximately $1.5 million.

Emergency Reserve. The Emergency Reserve is available for catastrophic emergency and natural disaster expenses required to keep the District operational and start repairs, moderate to severe temporary revenue reduction due to economic or drought-induced conditions, or other force majeure events. The target balance for the Emergency Reserve is $3 million, and the District is targeting reaching such balance by 2032. As of June 30, 2025, the Emergency Reserve had a balance of $0.

Facilities Reserve. The Facilities Reserve is available to finance projects, assets, staffing and other items identified in the District's Facilities Master Plan that are for the capacity (or preservation thereof), expansion and/or improvement of the District's system due to new development. The target balance for the Facilities Reserve is three years' worth of facilities funds debt payment expenditures. As of June 30, 2025, the balance in the Facilities Reserve was approximately $5.4 million, or 36 months of debt service payments (inclusive of 2026 Installment Payments). See "THE WATER SYSTEM – Connection Fees."

Investment Policy. The District invests its funds in accordance with its Investment Policy, which is reviewed periodically and ratified annually by the Board of Directors. The Investment Policy was most recently approved by the Board of Directors in October 2025. See "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2025, NOTES TO BASIC FINANCIAL STATEMENTS, Note [2], Cash and Investments" for additional information regarding the District's investments.

Employees

As of June 30, 2025, the District had 26 full-time employees and one vacant position. None of the District's current employees are represented by collective bargaining units. The District has not experienced strikes or other labor actions in the previous 10 years.

Budget Process

The District adopts an operating budget on an annual basis. The process begins in January with strategic planning, including anticipated future capital improvement projects, followed by policy direction from the Board of Directors in February. In March, the management team begins financial review, planning, and development. The District also identifies all funding and revenue sources to support expenditures. The Board of Directors receives ongoing updated reports through public board meetings, where the public and Board members are encouraged to participate.

The Board of Directors is presented with a draft budget for review at the May board meeting. Additional direction is received, and revisions are made. The final budget is then brought before the Board of Directors at the June board meeting for adoption. Additionally, the District performs mid-year reviews of its budget as necessary each year.

District management regularly meets with their teams to gather requested resources and needed improvements, then collectively brings this information forward in weekly management meetings for review and approval. Staff incorporate Board input and direction and refine budgeted revenue and expenses as needed. If an item is needed after the budget has been adopted, the Board of Directors has the legal authority to approve additional expenditures, provided the budget remains balanced at the end of the Fiscal Year. This may require reallocating other items.

The Board of Directors adopted the District's budget for Fiscal Year 2025-26 on June 11, 2025.

District Insurance

The District is exposed to various risks of loss to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (the "**JPIA**"), a joint powers authority that is comprised of dozens California special districts to arrange and administer programs for the pooling of self-insured losses and to purchase excess insurance from commercial insurers. Through the JPIA, the District maintains the following coverages:

Table 1
DIABLO WATER DISTRICT
Insurance Coverage

Type of Coverage (Deductible)		*Coverage Limit*
Liability ($0)	per occurrence	$5,000,000
Excess liability [(1)]	with various sublimits starting	$2,000,000
at		
Property ($1,000 - $5,000)	Replacement cost up to an aggregate of	$32,829,224
Auto liability ($500)	Each accident	$5,000,000
Crime coverage ($1,000)		$100,000
Workers' compensation ($2,500)		Statutory Limit
Workers' compensation - employer's liability		$2,000,000

(1) The liability insurance program is comprised of a pool layer and reinsurance/excess coverage for a total limit of $55 million.
Source: Diablo Water District.

Certain portions of the Water System, including underground pipelines that are not in the vicinity of the District's wells, are not covered by the District's property insurance. See "CERTAIN RISK FACTORS—Natural Disasters."

No assurance can be given as to the adequacy of the insurance maintained now or in the future by the District to fund necessary repairs or replacement of any portion of the Water System, and the District does not have any obligation under the 2026 Installment Sale Agreement to maintain earthquake coverage or other policies in the current coverage amounts. Significant damage to the Water System could affect the District's ability to generate sufficient Net Revenues to pay the 2026 Installment Payments when due. The District has not settled any claims that exceeded its insurance coverage in the past four years.

See Appendix B under the caption "[2026 INSTALLMENT PURCHASE AGREEMENT—COVENANTS OF THE DISTRICT—Insurance]" for a description of insurance coverages that are required to be maintained while the 2026 Certificates are outstanding.

Outstanding Parity Debt

The obligation of the District to make 2026 Installment Payments from Net Revenues is on a parity with the obligation of the District to make payments on the 2019 Installment Payments and the 2022 Installment Payments. After the execution and delivery of the 2026 Certificates, the 2019 Installment Payments and the 2022 Installment Payments will remain outstanding in the aggregate principal amount of $5,945,000 and $8,582,000, respectively.

Financial Statements

A copy of the audited financial statements of the District for the Fiscal Year ended June 30, 2025, the most recent Fiscal Year for which financial statements are available, has been prepared by [MUN CPAs, LLP, Sacramento, California] (the "**Auditor**") and is set forth in Appendix A. Such audited financial statements have been included herein in reliance upon the report of the Auditor. The audited financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit review of the financial condition of the District and also has not performed any procedures relating to this Official Statement. The Auditor has not undertaken to update the audited financial statements or its report, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated December 1, 2025.

The summary of the Water System operating results that are set forth under the caption "WATER SYSTEM FINANCIAL INFORMATION—Historical Operating Results" is derived from the above-described financial statements and audited financial statements for prior Fiscal Years (excluding certain non-cash items and after certain other adjustments) and are qualified in their entirety by reference to such statements, including the notes thereto.

The District accounts for moneys received and expenses paid in accordance with generally accepted accounting principles applicable to public agencies ("**GAAP**"). Generally, the District recognizes revenues and expenses on the full accrual basis of accounting, meaning that revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period in which they are incurred, regardless of when the related cash flows take place. However, in certain

cases, GAAP requires or permits moneys that are collected in one Fiscal Year to be recognized as revenue in a subsequent Fiscal Year and requires or permits expenses that are paid or incurred in one Fiscal Year to be recognized as expenses in a subsequent Fiscal Year. See Note 1 to the financial statements that are set forth in Appendix A. Except as otherwise expressly noted herein, all financial information that has been derived from the District's audited financial statements reflects the application of GAAP.

The District reports its activities as a separate set of self-balancing accounts which are accounted for as a proprietary fund type (enterprise fund) using the economic resources measurement focus. In governmental accounting, enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

THE WATER SYSTEM

General

The District provides retail water service to an area that is primarily residential. The District currently supplies potable water to approximately 14,031 connections that serve residential, commercial, and irrigation customers as well as private fire lines. Of the total connections, 14,031 or 100 percent are metered. Of the metered connections, 13,434 are single-family residential customers, 29 are multi-family customers and the remaining 568 are commercial, governmental and other non-residential customers.

The District's water supply consists of raw water that is purchased from CCWD. Water purchased from CCWD supplied approximately 86 percent of the District's annual water demand for Fiscal Year 2024-25. The water purchased from CCWD is treated at the Randall-Bold Water Treatment Plant (the "**Randall-Bold WTP**"), a water treatment plant jointly owned by the District and CCWD. See "– Treatment." The District also obtains water from two groundwater wells owned by the District. Water from the District's groundwater wells supplied approximately 14 percent of the District's annual water supply in Fiscal Year 2024-25.

The following table shows the District's major facilities as of June 30, 2025.

Table 2
DIABLO WATER DISTRICT
Major Water System Facilities
As of June 30, 2025

Type of Facility	*Number*
Boosters	2
Reservoirs	3
Pump stations	2
Groundwater wells [(1)]	2
Administration building	1

Corporation yard	1
Blending facility	1
Chemical booster facility	1
Other well systems [2]	1

(1) Consists of the Stonecreek well and the Glen Park well.
(2) Consists of the South Park well.
Source: Diablo Water District.

Water is distributed to District customers via approximately 175 miles of main line distribution pipelines. Overall, the District believes that its pipelines are in good working condition. The District is current on its capital improvement plan that defines lifespans of District assets with no asset lasting over 100 years.

Historical Service Connections and Consumption

The following table shows the number of service connections and water consumption within the District for the previous ten Fiscal Years.

Table 3
DIABLO WATER DISTRICT
Service Connections and Operating Indicators
Fiscal Years 2015-16 to 2024-25

Fiscal Year	*Service Connections*	*Month of Peak Consumption*	*Peak Monthly Consumption[1]*	*Average Daily Consumption[1]*
2015-16	11,209	August	5.00	3.76
2016-17	11,748	July	5.90	4.23
2017-18	11,923	July	6.62	4.76
2018-19	11,981	August	6.99	4.91
2019-20	12,323	June	7.64	5.39
2020-21	12,770	August	7.95	5.87
2021-22	13,494	July	7.38	5.52
2022-23	13,631	July	7.29	5.11
2023-24	13,777	July	7.44	5.33
2024-25	14,199	July	7.96	5.43

(1) Millions of gallons per day
Source: Diablo Water District.

Water Supply

Imported Water. The District's primary source of water is, and historically has been, raw surface water purchased from CCWD. In Fiscal Year 2024-25, the District purchased approximately 1,698 million gallons (or 6,063 acre-feet) of water from CCWD. The cost of treated imported water from CCWD as of January 1, 2025 is $2,960 per one million gallons and is anticipated to increase to $3,080 per one million gallons on February 1, 2026. In addition to the rate per one million gallons for treated water, the District also pays CCWD for certain fixed and variable operating and costs and

certain capital costs of the Randall-Bold WTP. "– Water Treatment." In addition, from time-to-time CCWD has imposed a surcharge during drought conditions, including most recently in Fiscal Year 2022-23. No such surcharges are currently in effect. See "– Drought Declarations – Urban Water Contingency Plan."

The backbone of CCWD's distribution system is the 48-mile Contra Costa Canal, which transports water from screened intakes in the Sacramento-San Joaquin Delta (the "**Delta**") to CCWD's treatment plants and municipalities, industry, and local water companies. CCWD stores untreated water in four reservoirs. The largest reservoir, Los Vaqueros, was expanded in 2012 from a capacity of 100,000 acre-feet to 160,000 acre-feet to support water reliability and water quality. CCWD operates three water treatment plants, including the Randall-Bold WTP.

CCWD obtains most of its untreated water supply from the federal government's Central Valley Project (the "**Central Valley Project**") by diversion from the Delta. The water is diverted under a permanent contract with the United States Bureau of Reclamation ("**Reclamation**"). Water available under CCWD's Central Valley Project contract may be reduced due to overall Central Valley Project water supply conditions, regulatory restrictions, and droughts.

The Central Valley Project includes reservoirs on the Trinity, Sacramento, American, Stanislaus, and San Joaquin Rivers. Water from Trinity River is stored and re-regulated in Clair Engle Lake, Lewiston Lake, and Whiskeytown Reservoir, and diverted through a system of tunnels and power plants into the Sacramento River and the Delta. Water is also stored and re-regulated in Shasta Lake and Folsom Lake. Central Valley Project water is diverted by CCWD from the Delta at Rock Slough, Old River near Discovery Bay, Middle River on Victoria Canal, or the Freeport Intake on the Sacramento River. CCWD also diverts water at Mallard Slough in the Delta under its Mallard Slough water rights permit and license when the water quality at that location meets CCWD's water quality objectives. Water diverted from any of these points of diversion may be conveyed to CCWD's water treatment facilities and its untreated water distribution system through the Contra Costa Canal. Water can also be diverted to off-stream storage in the District's Los Vaqueros Reservoir, either under the Reclamation Contract or the District's own Los Vaqueros water rights for later delivery to its customers.

The quantity of water that can be delivered to CCWD by Reclamation under the Reclamation Contract is 195,000 acre-feet per year. The Municipal and Industrial Shortage Policy (the "**M&I Shortage Policy**") referenced in the Reclamation Contract establishes a water delivery goal for municipal and industrial contractors in the event of shortages. No reduction in the water available to CCWD can occur unless Reclamation has declared that a shortage exists and has imposed significant reductions in deliveries to agricultural users. Should Reclamation be unable to make full deliveries due to a water shortage (i.e., a drought), the M&I Shortage Policy provides that CCWD's supply shall be not less than 75 percent of historical use, unless allocations to agricultural customers fall below 25 percent. In the event that Reclamation determines that a water shortage emergency exists, and that the shortage is so severe that Central Valley Project agricultural water users' allocations are reduced below 25 percent, CCWD's supply can be reduced below 75 percent of historical use. In such event, the M&I Shortage Policy provides that the delivery of Central Valley Project water will not be less than the quantity estimated to be sufficient to satisfy public health and safety requirements as set forth in CCWD's water shortage contingency plan.

CCWD has other water supplies available under its own water rights and inter-agency agreements, which include the following: (a) Mallard Slough water rights for a maximum diversion of

Delta water of up to 26,700 acre-feet per year (dependent on water quality conditions); (b) Los Vaqueros Project water rights to divert and store up to 95,850 acre-feet annually into the Los Vaqueros Reservoir (dependent on water quality conditions); and (c) agreement with East Contra Costa Irrigation District ("**ECCID**") that provides up to 8,200 acre-feet per year of water supply that can be used in East County areas within the boundaries of both CCWD and ECCID.

CCWD faces various challenges in the continued supply of imported water from the Central Valley Project. A description of these challenges as well as a variety of other operating information with respect to CCWD is included in certain disclosure documents prepared by CCWD. CCWD periodically prepares official statements and other disclosure documents in connection with its bonds and other obligations. CCWD has also entered into certain continuing disclosure agreements pursuant to which CCWD is contractually obligated for the benefit of owners of certain of its outstanding obligations to file certain annual reports, including audited financial statements and notice of certain events, pursuant to Rule 15c2-12. Such official statements, other disclosure documents, annual reports and notices (collectively, the "**CCWD Information**") are filed with the EMMA at http://emma.msrb.org. The CCWD Information is not incorporated herein by reference thereto, and the District makes no representation as to the accuracy or completeness of such information.

CCWD diverts water from the Sacramento-San Joaquin Delta for drinking water customers in and near the Delta, including the District. In March 2016, CCWD secured a settlement agreement with the Department of Water Resources (DWR) (the "2016 Settlement Agreement") to ensure that CCWD would be protected in the event that a project reduced freshwater flow in the Delta and negatively impacted CCWD's ability to deliver a reliable supply of high-quality water to its customers. In July 2023, CCWD and DWR amended the 2016 Settlement Agreement (the "2023 Settlement Agreement") to further protect CCWD in the event that projects in and around the Delta, including the Delta Conveyance Project ("DCP"), negatively impacted water quality and water supply. The 2023 Settlement Agreement provides that if the DCP is built, to offset potential water quality degradation in the Delta near CCWD's Delta intakes, DWR would convey a portion of CCWD's existing water supply from another location in the Delta that has high-quality water.

CCWD HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE 2026 CERTIFICATES TO PROVIDE CCWD INFORMATION TO THE DISTRICT OR THE OWNERS OF THE 2026 CERTIFICATES. CCWD HAS NOT REVIEWED THIS OFFICIAL STATEMENT AND HAS NOT MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO CCWD. CCWD IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH INFORMATION FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE 2026 CERTIFICATES UNDER RULE 15c2-12.

Ground Water. The District owns and operates three groundwater wells known as the Glen Park well, the Stonecreek well and the South Park well. The wells are located in the City of Oakley, California, and have a combined pumping capacity of approximately 7 million gallons per day. In Fiscal Year 2024-25, the wells supplied approximately 14 percent of the District's water supply.

The Glen Park and Stonecreek wells have a depth of 310 feet and 305 feet, respectively. Each well has a pumping capacity of approximately 2.0 million gallons per day, for a combined pumping capacity of approximately 4.0 million gallons per day. Each includes a pump station and connects via

a dedicated pipeline to a blending facility that is owned by the District, located near the Randall-Bold WTP. The South Park well has a depth of 310 feet and has a pumping capacity of approximately 3.0 million gallons per day. The South Park well is a standby well that is available in the event that pressure decreases to 40 pounds per square inch in the distribution system. If this should occur, the South Park well will automatically provide water to maintain pressure at the East Cypress Corridor area.

Water from the Glen Park and Stonecreek wells is treated and blended with treated surface water within the District's distribution system, prior to distribution to any customers. The amount of groundwater used in proportion to surface water is automatically controlled to maintain water quality with a target hardness of 140 milligrams per liter (except in times of drought when the target hardness may be higher).

Each pump motor is operated using a variable frequency drive which allows the District to control the flow rate produced from each well. In general, the wells operate year-round to reduce annual operating costs, since groundwater supply is lower cost than surface water, and at higher flow rates to meet peaking needs during the higher demand summer months. The District operates one or more wells at a time, at a variety of flow rates, based upon time of use periods, and seasonal groundwater basin water quality parameters and elevations.

In response to manganese levels present at the District's blending facility above maximum permitted quantities, the District placed the Stonecreek well on standby. The District plans to install a manganese removal system by 2030. The District may place the Stonecreek well back in service in the event of an emergency water shortage or if blending conditions allow. Based on current water demand and the blending ratio of well water to treated water, the District does not anticipate the placement of the Stonecreek well on standby will have a material impact on the District's finances in the foreseeable future. See "– Water Quality – General" for a description of related fines imposed on the District for such manganese violations.

To ensure the continued use of groundwater will meet the District's and State's future water quality objectives, a new reverse osmosis wellhead treatment project is built into the current water rate structure. The anticipated construction completion of this project is 2033. In addition to meeting water quality objectives this project will allow for the increased use of groundwater and the additional resiliency of locally sourced water supply.

The District's wells are located in the East Contra Costa Subbasin Basin (the "**Subbasin**"). The Subbasin covers a 168-square-mile area in the eastern portion of Contra Costa County. The Subbasin includes the communities of Antioch, Bethel Island, Byron, Brentwood, the Town of Discovery Bay, Knightsen, and Oakley and two agricultural districts (Byron Bethany Irrigation District and East Contra Costa Irrigation District). The Subbasin is located on the southwestern part of the Delta, which is the largest estuary on the West Coast and provides habitat to fish and wildlife species. The Subbasin has three main water supply sources: surface water, groundwater, and recycled water. Surface water provides, on average, about 80 percent of the aggregate demand for all use sectors in the Subbasin. In the below-described groundwater sustainability plan, this percentage is projected to remain stable at 80 to 85 percent through at least 2050.

The Subbasin is a medium-priority subbasin under Assembly Bill No. 1739 and Senate Bill Nos. 1168 and 1319 (collectively, the Sustainable Groundwater Management Act, or the "**SGMA**"), which were enacted on September 16, 2014. The SGMA constitutes a legislative effort to regulate groundwater on a statewide basis. Under the SGMA, local agencies are given the authority and the

responsibility to manage groundwater basins through the creation of groundwater sustainability agencies ("**GSAs**").

As a medium-priority basin, the GSAs within the Subbasin were required to comply with the provisions of the SGMA, including the requirement to develop a groundwater sustainability plan for approval by the State. Each groundwater sustainability plan must include a sustainability goal for the basin to manage groundwater in a manner that avoids undesirable results within 20 years of the statutory deadline.

In addition to the District and six other local agencies within the Subbasin (including the City of Antioch, the City of Brentwood, and Contra Costa County) each formed a GSA. In 2017, the seven GSAs and CCWD entered into a memorandum of understanding to share costs and management of the development and implementation of a groundwater sustainability plan for the Subbasin. A groundwater sustainability plan for the Subbasin was prepared in 2021 (the "**GSP**") and was approved by the State on July 27, 2023.

According to the GSP, groundwater conditions in the Subbasin are favorable and reflect stability over the past 30 years or more. Using various analogies, the GSP reports that the Subbasin can be described as generally full through various water-year types, including drought, and is in good "health." The favorable conditions are in part due to surface water availability that represents the largest source of supply for municipal and agricultural uses in the Subbasin. Furthermore, the Subbasin is projected to be sustainable under various future scenarios including those that incorporate climate variability and sea level rise.

Projects and management actions ("**PMAs**") were developed to achieve the Subbasin sustainability goal by 2042 and avoid undesirable results during and beyond the GSP planning and implementation horizon. According to the GSP, because the Subbasin is projected to be sustainable, PMAs are not expected to be essential for sustainability of the Subbasin. However, future conditions are uncertain and PMAs are expected to be employed on an as-needed basis.

Seven projects are included in the GSP representing a variety of project types to increase water supply availability and reliability, including infrastructure to provide in-lieu recharge, improve water quality, and increase use of recycled wastewater. Projects are divided into three status categories: completed, under construction, and planned. The three completed projects are operating and provide in-lieu groundwater benefits of over 5,500 acre-feet per year. The two projects under construction will be operating by 2042 and are projected to provide over 8,000 acre-feet per year.

Management actions consisting of water well policies (e.g., metering and reporting, spacing, and construction features) and demand management are to be implemented locally by individual GSAs on an as-needed basis. Except for a measure designed to protect water quality, such as seal depths, such management actions are not applicable to de minimis users.

The GSP estimates the total cost to the District, the six other GSAs in the Subbasin, and CCWA over the first five years of GSP implementation is between $2.6 and 3.1 million in aggregate. These costs include public outreach, monitoring and well maintenance, data management, and GSP reporting (e.g., annual and 5-year updates). GSA implementation costs will be paid for through contributions from the member GSAs and CCWD under a cost-sharing arrangement. Individual member agencies will continue to fund individual projects and/or management actions and monitoring activities.

The District currently plans to construct an additional well by 2030 and estimates that groundwater may ultimately account for up to 20 percent of the District's water supply (representing a total well capacity of approximately 7.0 million gallons per day). The District will decide whether to proceed with the construction of the third production well based on the performance identified in the site investigation analysis. According to the GSP, over 7.0 million gallons per day of ultimate pumping capacity can be achieved from the Subbasin. However, the long-term ability of the groundwater basin to provide these quantities is not known with certainty. If future investigations indicate that it will not be possible to provide the anticipated amount of groundwater supply to meet demands, then the District anticipates that it will either procure additional surface water supply from CCWD and/or investigate other local supply sources.

Water Quality

General. The District operates under a Water Supply Permit issued by the State Water Resources Control Board, Division of Drinking Water (the "**Division**"). The District is not aware of any current environmental or regulatory issues that would adversely impact its ability to deliver water within its service area. In February 2024, the Division imposed an enforcement fine of approximately $300 on the District for a violation of the maximum permitted manganese levels at the District's blending facility. To avoid additional violations for manganese levels, the District placed the Stonecreek well on standby in April 2024. Except for said enforcement fine, the District is not aware of any fines or penalties being assessed on the Water System in the previous five years.

To the District's knowledge, all water supplied to the Water System by CCWD meets all regulatory standards for potable water, including the federal Safe Drinking Water Act and regulations promulgated by the Division under Title 22 of the California Code of Regulations.

Compliance monitoring for the District's imported water supplies is conducted in weekly, monthly, quarterly, annual, 3-year, 6-year and 9-year sampling cycles. The District currently meets all compliance requirements, including the employment of a Chief System Operator certified as a SWRCB Department of Drinking Water Distribution Operator Level 3 or higher to oversee all regulatory compliance procedures and reporting.

Groundwater extracted from the District's ground wells is generally of high quality and is subject to minimal disinfection treatment prior to blending with imported water and distribution to customers. The District employs a single method of disinfection known as chloramination, which applies sodium hypochlorite and ammonium hydroxide to eliminate water-borne diseases from the water supply. The disinfection process chemically deactivates and physically removes bacteria, viruses and other contaminants.

The District also notes that, on October 8, 2024, the United States Environmental Protection Agency (the "**EPA**") issued a final rule requiring drinking water systems across the country to identify and replace lead pipes within 10 years. The rule also requires more rigorous testing of drinking water and lowers the threshold at which action is required to protect the public from lead exposure in water. The District has inventoried its water supply and distribution system and does not have any lead pipes that need to be replaced.

PFAS. In 2019, the Division lowered the Notification Levels (the "**NLs**") for Perfluorooctanoic acid ("**PFOA**") and Perfluorooctanesulfonic acid ("**PFOS**") to 5.1 and 6.5 parts per trillion ("**PPT**"), respectively. NLs are non-regulatory, precautionary health-based measures for

concentrations of chemicals in drinking water that warrant notification and further monitoring and assessment. In 2020, the Division lowered the Response Level (the "**RL**") for PFOA and PFOS from 70 PPT, combined, to 10 and 40 PPT, respectively. RLs are non-regulatory, precautionary health-based measures that are set at higher levels than NLs and represent thresholds at which the Division recommends that water systems remove a water source from use or treat it.

PFOA and PFOS are fluorinated organic chemicals which are part of a family of synthetic compounds referred to as per- and polyfluoroalkyl substances ("**PFAS**"). PFAS are water and lipid-resistant substances that were previously used in a variety of manufacturing processes and industrial applications. They are often present in water supplies which are impacted by wastewater treatment plant effluent or active or former military installations. The District understands that recent technological advances have enabled water agencies to detect PFAS compounds at very low concentrations.

On April 10, 2024, the EPA adopted regulations setting mandatory limits on PFOA and PFOS. The limits set by the EPA are stricter than those adopted by the Division and may require operational changes and additional expenditures by water utilities that do not already remove PFAS from their potable supplies. The EPA's regulations set Maximum Contaminant Levels ("**MCLs**") for PFOA and PFOS at 4 PPT each. Three other types of PFAS (known as PFNA, PFHxS and GenX) are subject to MCLs of 10 PPT. The EPA's regulations require drinking water supplies to meet the new standards within five years.

As described under the caption "—Water Supply – *Imported Water*," CCWD's water sources include the Delta. Such water is not known to be impacted by PFAS. According to CCWA, testing has confirmed that the CCWA's water supply is safe to drink and PFOA and PFOS were not detected during monitoring in 2013; at this time no further monitoring is required by the State. The treatment process at the Randall-Bold WTP does not remove PFAS from potable supplies.

The District has not been required to test its groundwater supplies for PFAS and does not anticipate that implementation of the above-described regulations by the Division and the EPA will have a material adverse effect on the operation of the Water System or the costs thereof (currently blended water quality samples do not show detectable quantities of these compounds). Testing of wells owned by other agencies with extraction rights in the Subbasin has not revealed the presence of PFAS in measurable amounts. The projected operating results which are set forth under the caption "WATER SYSTEM FINANCIAL INFORMATION – Projected Operating Results and Debt Service Coverage" do not reflect significant increases in water treatment or other Water System operating costs to meet State or federal regulations relating to PFAS.

Treatment

General. Wholesale water purchased by the District from CCWD is treated at the Randall-Bold WTP. The Randall-Bold WTP commenced operations in July 1992 and is located in Oakley, California. The Randall-Bold WTP underwent a $16 million upgrade in 2007 and has a current production capacity of 50 million gallons per day. It is designed for future expansion up to 80 million gallons per day. Delivery of treated water from the plant into CCWD's treated-water distribution system started in 2003 with completion of a 21-mile multi-purpose pipeline that stretches from Oakley to Concord.

Maximum daily water production in Fiscal Year 2024-25 was approximately 37 million gallons per day. Untreated water is withdrawn from the Contra Costa Canal for treatment at the Randall-Bold WTP and then delivered to the District to serve its treated water customers. Treated water from the Randall-Bold WTP is also delivered by CCWD to City of Brentwood customers located within the boundaries of CCWD and certain other customers of CCWD. The Randall-Bold WTP was designed to accommodate expansion to 80 million gallons per day. The Randall-Bold WTP uses chlorine gas, ozone and aqueous ammonia to disinfect water. Water is also filtrated through 65 inches of granular activated carbon and 10 inches of sand. The chlorine gas system is currently being retrofitted to a liquid chlorination system.

Under the JPA Agreement (as hereinafter defined), the District has the rights to double its share of capacity in the Randall-Bold WTP to 30 million gallons per day. The District's current capacity of 15 million gallons per day from the Randall-Bold WTP provides an average day supply of 7.5 million gallons per day. A total of 30 million gallons per day ultimate capacity for maximum day demand conditions will provide an average day supply of 15 million gallons per day. In accordance with current agreements, the District must purchase additional supply in no larger than 5 million gallons per day increments. The District does not intend to purchase additional treated surface water capacity from CCWD and is instead focused on adding local groundwater and groundwater treatment systems to its water supply portfolio. The District is also looking at the feasibility of including recycled water in its portfolio.

The Randall-Bold WTP has standby power generators intended to ensure that plant operations will not be disrupted by potential power failures. The District has increased security at Randall-Bold WTP with new physical barriers, alarms and patrols.

The Randall-Bold WTP also serves as a secondary treated water source for the City of Brentwood. The Randall-Bold WTP is designed to meet both existing and anticipated drinking water regulations.

Ownership and Cost Sharing. The Randall-Bold WTP is jointly owned by the District and CCWD pursuant to a joint powers agreement (the "**JPA Agreement**") for the Contra Costa Water Authority, a joint exercise of powers authority formed under the laws of the State ("**CCWA**"). The CCWA is governed by a five-member Board of Directors that is comprised of Directors of CCWD. CCWA was formed for the purpose of, among other things, financing, constructing, owning and operating the Randall-Bold WTP. Pursuant to the JPA Agreement, the District holds a 37.5 percent ownership interest in the Randall-Bold WTP.

Under the JPA Agreement, CCWD is responsible for administering, operating and maintaining the Randall-Bold WTP and the District is contractually obligated to pay for its share of: (a) raw water supplied to the District based on CCWD's rate for raw water for municipal users, (b) fixed operating and maintenance costs of the Randall-Bold WTP based on the District's share of capacity owned in the Randall-Bold WTP (currently 37.5 percent or 15 million gallons per day), (c) variable operating and maintenance costs of the Randall-Bold WTP based on the percentage of water supplied to each agency during each Fiscal Year, and (d) any capital costs for the routine replacement or renovation or equipment or other capital components of the Randall-Bold WTP based on the District's share of capacity owned in the Randall-Bold WTP (currently 37.5 percent or 15 million gallons per day).

The District's share of the operating and maintenance costs for the Randall-Bold WTP described in clauses (b) and (c) above totaled approximately $2.8 million in Fiscal Year 2024-25. For Fiscal Yar 2025-26, the District has budgeted approximately $3 million in operating and maintenance costs for the Randall-Bold WTP. These costs constitute Operation and Maintenance Expenses under the 2026 Installment Sale Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 CERTIFICATES – Security for the 2026 Installment Payments."

The District's share of the capital costs for the routine replacement or renovation or equipment or other capital components of the Randall-Bold WTP described in clause (d) above are treated as capital costs in the books and records of the District and depreciated in accordance with GAAP. Accordingly, such costs are not Operation and Maintenance Expenses within the meaning of the 2026 Installment Sale Agreement. In Fiscal Year 2024-25, such capital costs totaled approximately $819,000. For Fiscal Year 2025-26, the District has budgeted approximately $1.3 million for capital costs relating to the Randall-Bold WTP representing a true-up of prior Fiscal Year costs. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 CERTIFICATES – Security for the 2026 Installment Payments."

Under the JPA Agreement, the District has been obligated to reimburse the CCWA for a portion of the initial construction costs of the Randall-Bold WTP, including debt service for debt issued or incurred by CCWA to finance such costs, in an amount not to exceed 37.5 percent thereof in consideration of the allocation to the District of 15 million gallons per day of the initial 40 million gallons per day capacity of the Randall-Bold WTP. In 1990, CCWA issued its Water Treatment Revenue Bonds, 1990 Series A in the original principal amount of $51,510,000 for the purpose of financing such construction costs. CCWA refinanced such costs through the issuance of refunding bonds, including most recently with the issuance of CCWA's Water Treatment Revenue Refunding Bonds, 2012 Series A (the "**CCWA 2012 Bonds**"). The CCWA 2012 Bonds matured on October 1, 2020 and are no longer outstanding. The District reimbursed CCWA for 35.5 percent of the debt service on the CCWA 2012 Bonds pursuant to the JPA Agreement. The District's Net Revenues were not pledged as security for the payment of debt service on the CCWA 2012 Bonds. See "WATER SYSTEM FINANCIAL INFORMATION – Historical Operating Results."

CCWA may issue additional revenues bonds to finance improvements to the Randall-Bold WTP in the future and a portion of the debt service on such bonds would be paid by the District (based on the District's ownership in the Randall-Bold WTP at such time). The District is not aware of any plans by CCWA to issue any such bonds in the future. Nor does the District believe that such bonds would be secured by a pledge of the Net Revenues of the District. The projections of Net Revenues in this Official Statement assume that no such bonds are issued by CCWA in Fiscal Years 2025-26 through 2029-30. In the event such bonds are issued, the District believes its obligation to pay its share of debt service thereon would be subordinate to its obligation to make 2026 Installment Payments. See "WATER SYSTEM FINANCIAL INFORMATION – Projected Operating Results and Debt Service Coverage."

Water Storage

The District currently has three reservoirs with a combined storage capacity of 12.5 million gallons, roughly 250 percent of average day demand and 133 percent of maximum day demand. The District is in current negotiations to obtain another one million gallons of storage on Bethel Island. This project should be completed by 2030.

Drought Declarations

On January 17, 2014, the State Governor declared a drought state of emergency (the "**Declaration**") with immediate effect. The Declaration included an order encouraging certain large water suppliers, not including the District, to implement local water shortage contingency plans ("**WSCPs**"). On April 7, 2017, after significant improvement in water supply conditions across California, the Governor issued Executive Order B-40-17, which rescinded mandatory conservation measures for most California counties (including the County).

In 2018, the Governor signed Senate Bill 606 and Assembly Bill 1668 into law. These bills laid out a new long-term water use framework for urban water suppliers and called for the SWRCB to adopt implementing regulations for the following: (i) indoor residential water use; (ii) outdoor residential water use; (iii) landscape irrigation; and (iv) water loss. On July 3, 2024, the SWRCB adopted the required implementing regulations, which went into effect on January 1, 2025, and will be enforced beginning in 2027. The regulations do not apply to suppliers with fewer than 3,000 connections or those that supply less than 3,000 acre-feet of water per year (such as the District).

On October 19, 2021, the Governor declared a Statewide drought state of emergency and requested that all water users voluntarily reduce water use by 15 percent. On March 28, 2022, the Governor requested that all water users voluntarily reduce water use by 20 percent. These declarations encouraged water agencies to draw upon supplies other than surface water and to implement their WSCPs. Pursuant to these declarations, the SWRCB adopted regulations to prohibit wasteful water use by certain large water suppliers (*not* including the District). The District notes that the State, including the District's service area, experienced significant precipitation in the winter and early spring of 2023 and that, pursuant to Executive Order N-5-23 adopted on March 24, 2023, many of the restrictions in the above-described declarations were lifted.

Because Executive Order B-40-17, Senate Bill 606 and Assembly Bill 1668 were not applicable to small water systems such as the District's Water System, Senate Bill 552 was adopted in 2021. This legislation required small water systems to develop and maintain WSCPs that include specific drought-planning elements.

In 2021, the District's Board of Directors adopted the District's Urban Water Shortage Contingency Plan. The Urban Water Shortage Contingency Plan complies with the requirements of Senate Bill 552. The District's Urban Water Shortage Contingency Plan includes six standard water shortage levels corresponding to progressive ranges of up to 10, 20, 30, 40, 50 percent shortages and greater than 50 percent which correspond to the reductions in the water available to CCWD under the M&I Shortage Policy. Under the Urban Water Shortage Contingency Plan, the District may impose additional restrictions and enforce restrictions through fines, the installation of flow restriction devices and the termination of water service.

In response to the Governor's request that all water users voluntarily reduce water use by 20 percent. On March 28, 2022, the District declared a drought within its service area and activated its Urban Water Shortage Contingency Plan. In response, CCWD imposed a drought surcharge on all water purchased by the District in Fiscal Year 2022-23. The surcharge to the District totaled approximately $500,000, which the District recouped from its customers in the form of pass-through adjustments. See "– Adopted Water Rates."

On May 22, 2023, concurrently with the lifting of drought restrictions pursuant to Executive Order N-5-23, the Board of Directors repealed the District's drought declaration and deactivated its Urban Water Shortage Contingency Plan. The District continued to impose pass-through charges on its customers until it recouped CCWD's drought surcharges from customers in full.

Currently the District is not experiencing drought conditions and does not expect to experience drought conditions in 2026. The District believes that it has stable water supplies and is well positioned to respond to both drought and regulatory requirements in the foreseeable future.

The District has covenanted in the 2026 Installment Sale Agreement to set Water System rates and charges in amounts that it expects to be sufficient to pay the 2026 Installment Payments from Net Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 CERTIFICATES – Rate Covenant." The projected Water System operating results that are set forth under the caption "WATER SYSTEM FINANCIAL INFORMATION – Projected Operating Results and Debt Service Coverage" do not reflect implementation of drought surcharges in the current or next four Fiscal Years. The District does not currently expect that the implementation of drought surcharges in the future will have a material adverse effect on its ability to pay the 2026 Installment Payments from Net Revenues. As discussed under the caption "—Water System Rates and Charges," the District's rate structure consists of variable and fixed rate components. Decreased water consumption is partially offset by a decrease in related variable costs, while fixed water charges largely cover the Water System's fixed operating and maintenance costs. The District's Board of Directors has also reserved the right to take actions in the future to adjust the rates for potable water service based on changes in wholesale charges for untreated and/or potable water imposed on the District. See "– Adopted Water Rates – Pass Through Adjustments."

If a water shortage should arise again in the future, legal issues exist as to whether different California Water Code provisions or State regulations will be invoked to manage the allocation of water. Any curtailment pursuant to State orders could necessitate an increase in the District's water rates to Water System customers. See "CERTAIN RISK FACTORS – Articles XIIIC and XIIID of the California Constitution" for a discussion of certain restrictions on the District's ability to raise water rates. See also "CERTAIN RISK FACTORS – Threat to Water Supply."

Historical Water System Supply

The following table shows the District's water supply by source for the previous ten Fiscal Years. The figures in the following table do not include water loss experienced by the District in the transmission process in Fiscal Year 2024-25 which totaled approximately 2.75 percent of the water supply.

Table 4a
DIABLO WATER DISTRICT
Historical Water Supply
Fiscal Years 2015-16 through 2024-25

Fiscal Year	*Imported Water (MG) [1]*	*Imported Water as % of Total Water Supply*	*Groundwater Wells (MG) [1]*	*Groundwater as % of Total Water Supply*	*Total Water (MG) [1]*	*Total (million gallons per day) [2]*

2015-16	1,204.1	88.0%	167.1	12.0	1,371.2	3.8
2016-17	1,321.8	86.0	221.1	14.0	1,542.9	4.2
2017-18	1,448.0	83.0	290.1	17.0	1,738.1	4.8
2018-19	1,512.8	84.0	277.7	16.0	1,790.5	4.9
2019-20	1,653.2	84.0	312.7	16.0	1,965.9	5.4
2020-21	2,017.6	94.0	124.3	6.0	2,141.9	5.9
2021-22	1,927.5	95.7	86.6	4.3	2,014.0	5.5
2022-23	1,654.2	88.8	209.5	11.2	1,863.7	5.1
2023-24	1,644.3	84.5	300.8	15.5	1,945.1	5.3
2024-25	1,697.7	85.6	285.3	14.4	1,983.0	5.4

(1) mg = millions of gallons
(2) million gallons per day = millions of gallons per day
Source: Diablo Water District.

Historical Water System Purchases

The following table shows the District's water purchases from CCWD for the previous 10 Fiscal Years.

Table 4b
DIABLO WATER DISTRICT
Historical Water Purchases from CCWD
Fiscal Years 2015-16 through 2024-25

Fiscal Year	*Water Purchased (MG)* [1]	*Average Purchase Price per MG* [2]
2015-16	1,204.1	2,219.79
2016-17	1,321.8	2,032.49
2017-18	1,448.0	2,186.23
2018-19	1,512.8	2,206.36
2019-20	1,653.2	2,584.90
2020-21	2,017.6	2,642.03
2021-22	1,927.5	2,768.36
2022-23	1,654.2	3,028.72 [3]
2023-24	1,644.3	3,270.49
2024-25	1,697.7	3,467.30

(1) mg = millions of gallons
(2) Average price per one million gallons.
(3) Includes drought surcharge imposed by CCWA totaling approximately $500,000. See "– Drought Declarations – Urban Water Contingency Plan."
Source: Diablo Water District.

Water User Composition

The following table shows the number of metered accounts and metered water deliveries for the previous five Fiscal Years.

Table 5
DIABLO WATER DISTRICT
Metered Accounts
Fiscal Years 2020-21 through 2024-25

	2020-21	*2021-22*	*2022-23*	*2023-24*	*2024-25*
Residential (Single Family)	12,312	12,891	13,138	13,267	13,434
Multi-Family	21	26	27	27	29
Commercial/Institutional	173	177	183	191	197
Landscape Irrigation	183	187	198	207	213
Fire Services	81	83	85	85	89
Hydrant/Construction	70	74	74	66	69
Total	12,840	13,438	13,705	13,843	14,031
Annual Change %	[__]%	4.66%	1.99%	1.01%	1.36%

Source: Diablo Water District.

Major Water Users

The following table shows the ten largest Water System by customer type for Fiscal Year 2024-25, as determined by annual water sales.

Table 6
DIABLO WATER DISTRICT
Ten Largest Users of Potable Water
Fiscal Year 2024-25

	Customer Type	*Total Water Sales*	*% of Total Water Sales*
1.	School	$104,734	0.56%
2.	Multi-Family	75,047	0.40
3.	Business	68,820	0.37
4.	Business	68,747	0.37
5.	Irrigation	65,530	0.35
6.	Business	61,215	0.33
7.	Business	60,413	0.32
8.	Multi-Family	58,892	0.32
9.	Irrigation	55,644	0.30
10.	Multi-Family	53,495	0.29
Total Ten Largest Users		$672,537	
Total Water Sales		$18,694,509	3.60%

Source: Diablo Water District.

Adopted Water Rates

General. The Water System's rates and charges are set by the Board of Directors and are not subject to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body. The District is, however, required to comply with the notice, hearing and majority protest provisions of Proposition 218, as to Water System rates and charges. See "CERTAIN RISK FACTORS – Articles XIIIC and XIIID of the California Constitution" for further information with respect to Proposition 218.

The District annually determines the adequacy of the charge structure for water service in the service area after full consideration of expected operations, maintenance, capital costs and capital repayment obligations of the Water System. The Board of Directors sets water rates and charges at a level that it determines is sufficient to pay all Operation and Maintenance Costs of the Water System, to make debt service payments and to maintain appropriate reserves for the Water System.

On May 28, 2025, the Board of Directors approved water rates for Fiscal Years 2025-26 through 2029-30, effective August 1, 2025 (the "**Adopted Rate Plan**"), in accordance with Proposition 218. The Adopted Rate Plan includes water rate increases effective July 1 of each year commencing July 1, 2026 through and including July 1, 2029 of 7.25 percent, 7.0 percent, 7.0 percent and 7.0 percent, respectively. There can be no assurance that the Board of Directors will not repeal or modify the rates that are set forth in the Adopted Rate Plan in the future or that the District's ratepayers will not approve an initiative to repeal or modify all or part of the Adopted Rate Plan.

The projected operating results, which are set forth under the caption "WATER SYSTEM FINANCIAL INFORMATION – Projected Operating Results and Debt Service Coverage" assume Water System rate increases in accordance with the Adopted Rate Plan.

Adopted Rates and Charges. The District's current rate structure for water service fees has five customer classes: residential (single-family), multi-family, non-residential, irrigation, and construction/hydrant. The rate structure for domestic water is comprised of two components: (i) a fixed monthly service charge based on meter size (the "**Service Charge**"); and (ii) a variable volumetric water usage rate (the "**Water Usage Rate**").

Monthly Service Charges. The following table shows the District's monthly Service Charge for connections to the Water System for Fiscal Year 2025-26.

Table 7a
DIABLO WATER DISTRICT
Monthly Service Charges by Meter Size
Fiscal Year 2025-26

Size of Meter	*Service Charge*
5/8" x 3/4"	$24.31
1" with fire sprinkler [(1)]	24.31
1"	60.76
1 1/2"	121.52
2"	194.43
3"	425.32

4”	729.11
6”	1,640.49
8”	3,402.50
10”	5,103.74
12”	6,440.43

(1) Monthly services charge for one-inch meter for residential services, which is made necessary for the installation of a fire sprinkler system, is the same as the charge for a five-eighth-inch meter for one- and two-family residential systems, for either new construction or retrofit.

Source: Diablo Water District.

Water Usage Rates. The District imposes Water Usage Rates for customers on a tiered basis per hundred cubic feet of water ("**hcf**") used in each billing cycle. The following tables show the District's Water Usage Rate for Fiscal Year 2025-26.

Table 7b
DIABLO WATER DISTRICT
Monthly Water Usage Rates
Fiscal Year 2025-26

Property Type	*Usage Tier*	*Rate* [(1)]
Residential (Single Family)		
	Tier 1: 0 - 6 hcf	$4.37
	Tier 2: 7 - 14 hcf	6.04
	Tier 3: 15 - 22 hcf	8.32
	Tier 4: > 22 hcf	9.91
Multi-Family[(2)]		
	All usage	$4.39
Non-Residential		
	Tier 1: 0 - 34 hcf	$4.35
	Tier 2: > 34 hcf	8.00
Irrigation		
	Tier 1: 0 - 6 hcf	$7.78
	Tier 2: 7 - 14 hcf	11.91
Construction/Hydrant		
	Tier 1: 0 - 115 hcf	$7.78
	Tier 2: > 115 hcf	11.91

(1) Per 100 cubic feet or 748 gallons.
(2) Applies to water service connections with three or more separate living units on the property.
Source: Diablo Water District.

Backflow Device Charges. The District also imposes a monthly backflow device charge based on the diameter of the backflow device. Backflow devices prevent contaminated water from flowing back into the clean water supply. Backflow device charges are designed to recover the costs associated with administering and maintaining backflow devices. See Appendix G for monthly backflow device charges for fiscal years 2025-26 through 2029-30.

Pass-Through Adjustments. The Adopted Rate Plan specifies adjustments to water rates during mandatory levels of the District's Urban Water Shortage Contingency Plan. This allows the District to remain fiscally stable during times of minimal and extreme drought conditions.

Connection Fees

The District collects connection fees from new customers connecting to the Water System. The District accounts for these fees in its books and records as "Facilities Reserve Charges." The District accounts for Facilities Reserve Charges in the Facilities Reserve Fund and uses such charges exclusively for funding growth related capital improvements and related debt repayment in accordance

with the Reserve Fund Management Policy. See "THE DISTRICT – Governance and Management – Management Policies – Reserve Policy."

The District's current Facility Reserve Charges were adopted by the Board of Directors on July 23, 2025. The Facility Reserve Charges vary by each of the three regions within the District's service area. For Fiscal Year 2025-26, the Facilities Reserve Charge for a typical new single-family dwelling unit with a 5/8-inch water meter ranges from $13,247 for new connections in the service region west of Jersey Island Road, 19,415 for new connection in the service region east of Jersey Island Road (not including Bethel Island), and $15,891 for new connections on Bethel Island (including Delta Coves). New connections with larger meter sizes pay higher fees based on the ratio of their meter capacity to the capacity of a 5/8-inch residential meter.

The District also requires developers to pay the cost of any main line extensions subject to reimbursement from future development. For Fiscal Year 2025-26, the assessment for main-line extensions ranges from $1,613 for a new 5/8-inch meter connection to $46,777 for a new 8-inch meter connection. Extensions greater than 8 inches are assessed a charge that is determined by the District on a case-by-case basis. The District uses funds recovered by these assessments to reimburse eligible developers who initially funded the main line extensions for a period of 10 years without interest. The District also requires developers to fund the cost of relocating pipelines in substandard streets.

Comparative Water Rates

The following table compares the District's current average total monthly residential water bill (based on water rates in effect under the Adopted Rate Plan) to that of nearby water service providers as of August 1, 2025.

Table 8
DIABLO WATER DISTRICT
Comparative Average Monthly Water Bill
As of August 1, 2025

Water Service Provider	*Total Monthly Water Bill* [(1)]
City of Martinez	$149.64
Contra Costa Water District	117.71
City of Pittsburg	97.88
Diablo Water District	**86.77**
City of Brentwood	79.83
City of Antioch	76.72

(1) Based on 8,976 gallons of water use per month and a 5/8th inch connection size.
Source: Diablo Water District.

Billing and Collection Procedures

The District bills each account for water service monthly. Water bills are considered delinquent if unpaid 60 days after the date of the bill. The District levies a late charge equal to 7 percent of the delinquent amount at day 61. If a bill remains unpaid for about two weeks after it becomes delinquent, the District issues a final notice to customers with delinquent balances of $75 or more. If the bill

remains unpaid after the final notice is sent and the account is $75 delinquent or more, the District makes a courtesy phone call to inform the customer of the District's intent to disconnect the service. If a bill remains unpaid for more than 72 hours after the courtesy phone call, it is the District's practice to disconnect a customer's water service for non-payment. Delinquent bills from closed accounts are sent to a collection agency.

To help minimize the potential for billing delinquencies, the District requires new customers to pay a security deposit equal to the minimum of $100 for property owners or $200 for tenants. The requirement to pay the security deposit may be waived for customers who have a satisfactory credit history with the District. The District applies the security deposit if an account is delinquent upon closing the account.

The following table shows historical billings, collections and delinquencies for the Water System for the previous 10 Fiscal Years.

Table 9
DIABLO WATER DISTRICT
Historical Billings, Collections and Delinquencies
Fiscal Years 2015-16 through 2024-25

Fiscal Year	*Total Water Sales* [1]	*Delinquencies as of Year End*	*Delinquencies as % of Billing*	*Annual Write-offs*	*Write-offs as % of Billing*
2015-16	$6,869,051	$35,306	0.51%	$13,667	0.20%
2016-17	7,552,066	42,669	0.56	13,085	0.17
2017-18	9,064,178	30,775	0.34	10,938	0.12
2018-19	9,334,650	58,078	0.62	8,007	0.09
2019-20	10,651,069	189,936	1.78	9,832	0.09
2020-21	11,896,683	141,319	1.19	17,554	0.15
2021-22	11,655,609	267,550	2.29	15,383	0.13
2022-23	13,376,006	143,568	1.07	42,629 [2]	0.31
2023-24	14,538,004	107,084	0.74	24,925	0.17
2024-25	18,694,509	117,135	0.62	30,215	0.16

(1) Total water sales figures above do not include backflow and other charges included in the Water Service Charges & Sales in Table 11.
(2) Increase in annual write-offs in Fiscal Year 2022-23 was due to the effects of the COVID-19 pandemic.
Source: Diablo Water District.

Capital Improvement Program

The following table shows the District's capital improvement plan for Fiscal Year 2025-26 through Fiscal Year 2029-30. The capital improvements shown total approximately $35 million and are expected to be financed by a combination of proceeds from the 2026 Certificates, Water System reserves, and Net Revenues remaining after the payment of debt service.

Table 10
DIABLO WATER DISTRICT
Capital Improvement Program
Fiscal Years 2015-16 through 2024-25

Projects	*2025-26*	*2026-27*	*2027-28*	*2028-29*	*2029-30*
R1 Seismic Upgrades [1]	$ --	$ --	$2,500,000	$ --	$ --
R1 Exterior Repaint	--	--	800,000	--	--
R2 Seismic Upgrades [1]	200,000	3,120,000	--	--	--
Electric Trucks	197,400	485,000	85,000	85,000	85,000
Crane Truck	200,000	--	--	--	--
Track Loader	125,000	--	--	--	--
Backhoe Replacement	--	--	--	--	150,000
Dump Truck Replacement	--	--	--	--	150,000
Emergency Response Trailer	50,000	--	--	--	4,250,000
Parallel R2/R3 pipeline	--	250,000	--	--	1,000,000
Water Main Line and Service Line Repair	--	--	--	--	--
Corporation Yard - Bulk Materials	80,000	--	--	--	--
Randall-Bold WTP Capital Improvements	1,891,653	2,062,508	774,101	513,301	1,752,106
Blending Facility Vertical Assets	50,644	213,198	95,107	28,073	62,195
Corporation Yard Vertical Assets	78,377	--	--	--	--
Delta Coves Chemical Feed Facility	--	--	--	144,217	--
Glen Park Well Vertical Assets	--	44,369	--	37,823	--
Randall-Bold WTP Pump Station Vertical Assets	--	--	--	291,476	--
R2 & R3 Site Vertical Assets	70,149	44,142		111,021	--
Stonecreek Well Vertical Assets	--	74,945	--	--	--
South Park Well M-24 Vertical Assets	--	360,622	--	--	--
Carol Lane Admin Building HVAC	150,000	--	--	--	--
Wellhead Treatment	250,000	500,000	1,000,000	--	--
Proposed New Well	--	--	--	8,000,000	--
Generators at Facilities [1]	1,680,000	--	--	--	--
Solar R2/R3 [1]	525,000	--	--	--	--
Fuel Station & Pumps [1]	525,000	--	--	--	--
Total	$6,073,223	$7,154,784	$5,254,208	$9,210,911	$7,449,301

(1) A portion of these projects are to be financed with proceeds of the 2026 Certificates.
Source: Diablo Water District.

Projected Water System Demand

The District's service area is not fully built out, and as a result, the District anticipates increases in demand in the future. The District updates its Urban Water Management Plan, as required by the State, every five years to determine if adequate supplies are available to meet projected demands. The most recent Urban Water Management Plan was prepared by the District in 2020 (the "**2020 Urban Water Management Plan**"). It includes a detailed review of system water use, a review of land use in cities within the District's service area, anticipated water supplies, and related considerations, including system losses.

In the 2020 Urban Water Management Plan, the District assumed ultimate buildout of its service area to occur in 2040. It also projected that over the period from 2020 to 2040, demand for water within the District's service area will increase from 2,105 million gallons (in 2020) to 4,580 million gallons (in 2040) and estimated the number of service connections to increase from 12,414 (in 2010) to 19,240 (in 2040).

The District anticipates that its 2025 Urban Water Management Plan will be available in mid-2026. According to the District's current projections, it estimates that at full build-out the maximum daily demand of water within the District's service area will total 17.5 million gallons per day. To accommodate such demand, the District anticipates constructing an additional well with a dedicated wellhead treatment facility by 2030. The additional well is expected to provide up to an additional 3.0 million gallons per day in water supply.

WATER SYSTEM FINANCIAL INFORMATION

Available Cash

As of October 31, 2025, the Water System had approximately $8,762,000 in available cash and investments, including reserves and funds that are restricted for capital expenditures. See "THE DISTRICT—Governance and Management – Management Policies – Reserve Policy.".

Historical Operating Results

The following table is a summary of operating results of the Water System for the last five Fiscal Years. These results have been derived from the audited financial statements of the District which include certain non-cash items.

Table 11
DIABLO WATER DISTRICT
Historical Water System Operating Results and Debt Service Coverage
Fiscal Years 2020-21 through 2024-25

	2020-21	*2021-22*	*2022-23*	*2023-24*	*2024-25*
Gross Revenues					
Water Service Charges & Sales	$12,881,410	$12,572,567	$14,390,909	$15,236,114	$19,258,868
Facilities Reserve Charges	5,411,820	3,422,775	2,321,748	1,516,034	2,117,506
Interest Earnings	45,871	(239,694)	389,038	1,043,114	707,781
Other Revenues [1]	876,848	945,630	1,468,315	492,136	1,130,829
Total Gross Revenues	$19,215,949	$16,701,278	$18,570,010	$18,287,398	$23,214,984
Operation and Maintenance Costs					
Water Purchases	$5,330,564	$5,336,023	$5,469,681	$5,357,836	$5,904,542
Water Treatment	1,805,073	1,957,748	2,105,829	2,739,841	2,821,682
Maintenance	562,117	584,641	491,879	604,685	958,011
Transmission, Distribution & Pumping	2,075,142	1,973,888	2,878,301	2,668,666	2,729,103
Customer Accounts	1,022,460	1,210,812	1,467,139	1,874,312	2,078,113
Administration and General	1,951,717	2,090,403	2,462,712	2,880,568	4,027,910
Total Operation and Maintenance	$12,747,073	$13,153,515	$14,875,541	$16,125,908	$18,519,361
Net Revenues	$6,468,876	$3,547,763	$3,694,469	$2,161,490	$4,695,623
Debt Service					
2013 Installment Payments [2]	$604,718	$507,704	$ --	$ --	$ --
2019 Installment Payments	666,387	704,001	698,200	570,100	704,100
2022 Installment Payments	--	205,500	892,940	920,543	917,748
Total Debt Service	$1,271,055	$1,417,205	$1,591,140	$1,490,643	$1,621,848
Debt Service Coverage	5.09x	2.50x	2.32x	1.45x	2.90x
Net Revenues After Debt Service	$5,197,821	$2,130,558	$2,103,329	$670,847	$3,073,775
Non-Operating Expenses					
CCWA Debt Service [3]	$463,144	$ --	$ --	$ --	$ --
Net Revenues After Non-Operating	$4,734,677	$2,130,558	$2,103,329	$670,847	$3,073,775

(1) Includes admin & inspection fees, labor, overhead & vehicle reimbursements, rental income, and other miscellaneous revenues.
(2) Refinanced with proceeds of the 2022 Installment Sale Agreement.
(3) The District's total obligation for Fiscal Year 2020-21 on the CCWA 2012 Bonds was $1,342,211 which was offset by the reserve balance of ($864,020) as well as the interest earned ($15,047) on the reserve balance. The District's final payment on this obligation was $463,144 and occurred during Fiscal Year 2020-21.
Source: Diablo Water District.

Projected Operating Results and Debt Service Coverage

Estimated projected operating results for the Water System for the current and next four Fiscal Years, reflecting certain significant assumptions concerning future events and circumstances (including those set forth in the table), are set forth below. All of such assumptions are material in the development of the District's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast, and such variations may be material.

Table 11
DIABLO WATER DISTRICT
Projected Water System Operating Results and Debt Service Coverage
Fiscal Years 2025-26 through 2029-30

	2025-26	*2026-27*	*2027-28*	*2028-29*	*2029-30*
Gross Revenues					
Water Service Charges & Sales	$20,687,030	$22,491,294	$24,255,498	$26,158,661	$28,211,742
Facilities Reserve Charges	3,385,881	3,151,425	3,245,967	3,343,346	3,443,647
Interest Earnings	398,138	398,617	406,417	424,209	442,622
Other Revenues [(1)]	1,171,678	2,660,104	2,582,895	1,188,757	2,944,794
Total Gross Revenues	$25,642,727	$28,701,440	$30,490,777	$31,114,973	$35,042,805
Operation and Maintenance Costs					
Water Purchases	$6,037,343	$6,397,915	$6,877,828	$7,391,742	$7,948,136
Water Treatment	3,029,959	3,061,858	3,146,214	3,233,100	3,322,593
Maintenance	1,104,542	979,722	1,311,361	1,003,800	2,715,561
Transmission, Distribution & Pumping	3,231,674	3,373,796	3,465,056	3,636,896	3,736,889
Customer Accounts	2,697,729	2,781,254	2,879,590	2,975,144	3,092,739
Administration and General	4,938,992	4,653,205	4,584,363	5,038,338	4,869,775
Total Operation and Maintenance	$21,040,238	$21,247,751	$22,264,412	$23,279,020	$25,685,693
Net Revenues	$4,602,489	$7,453,689	$8,226,365	$7,835,953	$9,357,112
Debt Service					
2019 Installment Payments	$705,800	$707,800	$709,000	$704,400	$709,200
2022 Installment Payments	929,216	929,449	931,012	929,836	927,981
2026 Installment Payments*	--	489,244	486,250	489,000	486,000
Total Debt Service*	$1,635,016	$2,126,494	$2,126,262	$2,123,236	$2,123,181
Debt Service Coverage*	2.81x	3.51x	3.87x	3.69x	4.41x
Net Revenues After Debt Service*	$2,967,473	$5,327,195	$6,100,103	$5,712,717	$7,233,931

Table 11
DIABLO WATER DISTRICT
Projected Water System Operating Results and Debt Service Coverage
Fiscal Years 2025-26 through 2029-30
(Continued)

	2025-26	*2026-27*	*2027-28*	*2028-29*	*2029-30*
ASSUMPTIONS					
Rate Revenue Adjustments	7.50%	7.25%	7.00%	7.00%	7.00%
Residential Account Growth	1.00%	1.00%	1.00%	1.00%	1.00%
Interest Rate Earned on Investments	2.00%	2.00%	2.00%	2.00%	2.00%
O&M Expense Inflation					
General	3.00%	3.00%	3.00%	3.00%	3.00%
Salary	4.00%	4.00%	4.00%	4.00%	4.00%
Benefits	6.00%	6.00%	6.00%	6.00%	6.00%
Purchased Water	4.09%	6.75%	6.75%	6.75%	6.75%
Water Treatment	6.50%	6.50%	6.50%	6.50%	6.50%
Utilities	13.00%	13.00%	13.00%	13.00%	13.00%
Chemicals	7.00%	7.00%	7.00%	7.00%	7.00%

(1) Includes admin & inspection fees, labor, overhead & vehicle reimbursements, rental income, and other miscellaneous revenues.
* Preliminary; subject to change.
Source: Diablo Water District.

Retirement System

The California Public Employees' Retirement System ("**CalPERS**") maintains a cost-sharing multiple-employer defined benefit pension plan for the District (the "**Pension Plan**"). All qualified permanent full- and part-time District employees working at least 1,000 hours per year are eligible to participate in the Pension Plan. The Pension Plan consists of individual rate plans (benefit tiers) within CalPERS' miscellaneous risk pool: (i) a plan for employees employed prior to January 1, 2013 (the "**Classic Rate Plan**"); and (ii) a plan for employees employed on or after January 1, 2013 (the "**PEPRA Rate Plan**"). As of June 30, 2024, there were 10 and 15 active members in the Classic Rate Plan and PEPRA Rate Plan, respectively.

CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Active members belonging to the Classic Plan are required to contribute 8.0 percent of their annual covered salary. Active members belonging to the PEPRA Rate Plan are required to contribute 8.0 percent of their annual covered salary. The District makes the contributions required of the Classic Rate Plan and PEPRA Rate Plan employees on their behalf and for their account.

Employees hired prior to January 1, 2013, and who have remained under continuous employment with a CalPERS agency are considered "Classic" employees. California Public

Employees' Pension Reform Act of 2013 ("**PEPRA**"), which was signed by the State Governor on September 12, 2012, established a new pension benefit tier for employees who were hired on or after January 1, 2013, who were not previously CalPERS members or have left employment with a CalPERS agency for more than 6 months. PEPRA is expected to reduce pension costs of virtually all public employers in the long term.

PEPRA adjusted the benefit formulas, required employee contribution, calculation of benefits and maximum pay, as well as other benefits. PEPRA employees receive the following benefit formulas: (i) 2.0 percent at age 62 for Miscellaneous employees; and (ii) 2.7 percent at age 57 for Safety employees. Employees are required to pay at least 50 percent of the total (annual) normal cost rate and are required to make the full amount of required employee contributions themselves under PEPRA. Retirement benefits for such employees are calculated on the highest average annual compensation over a consecutive 36-month period. Accordingly, retirement benefits for PEPRA miscellaneous employees are calculated as 2 percent of the average final 36 months of compensation and retirement benefits for PEPRA safety employees are calculated as 2.7 percent of the average final 36 months of compensation. Retirement benefits for Classic miscellaneous employees are calculated as 2 percent of the average final 12 months of compensation, and retirement benefits for Classic safety employees are calculated as 3 percent of the average final 12 months of compensation. Retroactive benefits increases are also prohibited, as are contribution holidays and purchases of additional non-qualified service credit. PEPRA also capped pensionable income as noted below. Maximum amounts are set annually, subject to adjustment in accord with the Consumer Price Index.

CalPERS Pension Compensation Limits for
Calendar Year 2025
(Classic and PEPRA members)

	Classic	***PEPRA***
Maximum Pensionable Income	$350,000	$186,096[(1)]

(1) The Maximum Pensionable income for PEPRA members employed at agencies that participate in Social Security is $155,081. Based on total projected number of connections for applicable fiscal year. See "THE WATER SYSTEM – Connection Fees."
Source: CalPERS Payroll Circular Letter dated January 2, 2025.

Additional employee contributions, limits on pensionable compensation, and higher retirement ages for new members as a result of the passage of PEPRA are expected to reduce the District's unfunded pension liability and potentially reduce District contribution levels in the long term.

CalPERS' projected employer contribution rates for the District's Classic Rate Plan and PEPRA Rate Plan are provided by actuarial reports delivered to the District, which reports establish liability and funding requirements. The most recent available actuarial valuation for the Pension Plan is as of June 30, 2024 (the "**2024 Valuation**"), which covers the Classic Rate Plan and PEPRA Rate Plan. There is a two-year lag between the Valuation Date and the contribution fiscal year. The assets, liabilities and funded status of the plan are measured as of the valuation date, June 30, 2024. The employer contribution rate determined by the 2024 Valuation is for the fiscal year beginning two years after the valuation date: in this case, the District's Fiscal Year 2026-27. This two-year lag is necessary due to the amount of time needed to extract and test the membership and financial data and due to the need to provide public agencies with their employer contribution rates well in advance of the start of the fiscal year.

The unfunded liability of a pension plan is used to determine the employer contribution and therefore must be rolled forward two years from the valuation date to the first day of the fiscal year for which the contribution is being determined. The unfunded liability is rolled forward each year by subtracting the expected payment on the unfunded liability for the fiscal year and adjusting for interest. The expected payment on the unfunded liability for a fiscal year is equal to the expected employer contribution for the fiscal year minus the expected normal cost for the year ("**Normal Cost**"). The Normal Cost represents the value of benefits allocated to the upcoming year for active employees. If all plan experience exactly matched the actuarial assumptions, Normal Cost would be sufficient to fully fund all benefits. The employer contribution rate for the first fiscal year is determined by the actuarial valuation two years ago, and the rate for the second year is from the actuarial valuation one year ago. The Normal Cost rate for each of the two fiscal years is assumed to be the same as the rate determined by the current valuation. All expected dollar amounts are determined by multiplying the rate by the expected payroll for the applicable fiscal year, based on payroll as of the valuation date.

Contributions to fund the plan are comprised of two components:

- Normal Cost, expressed as a percentage of total active payroll
- Amortization of the unfunded accrued liability ("**UAL**"), expressed as a dollar amount

For fiscal years prior to 2017-18, the amortization of the UAL component was expressed as a percentage of total active payroll. Starting with Fiscal Year 2017-18, the amortization of the UAL component is expressed as a dollar amount and invoiced monthly. There is an option to prepay this amount during July of each fiscal year. The Normal Cost component is expressed as a percentage of active payroll, with employer and employee contributions payable as part of the regular payroll reporting process. The determination of both components requires complex actuarial calculations. The calculations are based on a set of actuarial assumptions, which can be divided into two categories:

- Demographic assumptions (e.g., mortality rates, retirement rates, employment termination rates, disability rates)
- Economic assumptions (e.g., future investment earnings, inflation, salary growth rates)

These assumptions reflect CalPERS' best estimate of future experience of the plan and are long-term in nature, which cannot be expected with any certainty to be realized in their entirety in any given year. For example, the investment earnings at CalPERS have averaged 6.9 percent over the 20 years ending June 30, 2022, yet individual fiscal year returns have ranged from -23.6 percent to +21.3 percent. In addition, CalPERS reviews all actuarial assumptions by conducting in-depth experience studies every four years, with the most recent experience study completed in [November 2025].

The table below shows the District's required employer contribution rates for the District's Classic Rate Plan and PEPRA Rate Plan (before cost sharing) for Fiscal Year 2026-27 and projected required employer contribution rates for Fiscal Years 2027-28 through 2031-32. The projections assume that all CalPERS actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. In particular, the investment return is assumed to be 6.80 percent per year beginning in Fiscal Year 2024-25, net of investment and administrative expenses. The Classic Rate Plan and PEPRA Rate Plan normal cost is expected to decline over time as new employees are hired into lower cost benefit tiers. Future contribution requirements may differ significantly from those shown below. The actual long-term cost

of the plan will depend on the actual benefits and expenses paid and the actual investment experience of the fund.

Projected Future Pension Contribution Rates
Fiscal Years 2025-26 through 2030-31

Fiscal Year Ended (June 30)	*Classic Rate Plan Normal Cost Contribution Rate*	*PEPRA Rate Plan Normal Cost Contribution Rate*	*UAL Payment*
2027 [1]	16.77%	8.16%	$367,790
2028	16.8	8.1	383,000
2029	16.8	8.1	423,000
2030	16.8	8.1	424,000
2031	16.8	8.1	423,000
2032	16.8	8.1	431,000

Source: CalPERS Annual Valuation Actuarial Report dated as of June 30, 2024.

Actual gains or losses as well as changes in actuarial assumptions or methods are amortized using a 5-year ramp-up, phasing in the impact of unanticipated changes in UAL over a 5-year period and attempting to minimize employer cost volatility from year to year. This method phases in the impact of the change in UAL over a 5-year period to reduce employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years when there is a large investment loss, the relatively small amortization payments during the ramp-up period could result in contributions that are less than interest on the UAL (*i.e.,* negative amortization) while the contribution impact of the increase in the UAL is phased in.

The following table shows the funding history of the District's Pension Plan as reported in the 2024 Valuation as of June 30 for the five most recent available fiscal years.

Pension Plan
CalPERS Funded Status

Valuation Date (June 30)	*Accrued Liability*	*Pension Plan's Share of Pool's Market Value of Assets*	*Pension Plan's Share of Unfunded Accrued Liability*	*Funded Ratio [1]*	*Annual Covered Payroll*
2020	$11,577,148	$8,655,053	$2,922,095	74.8%	$1,807,842
2021	12,542,022	10,693,917	1,848,105	85.3	1,925,990
2022	13,779,670	10,189,736	3,589,934	73.9	2,220,071
2023	15,406,975	11,470,023	3,936,952	74.4	2,812,357
2024	17,264,363	13,406,566	3,857,797	77.7	3,307,184

Source: CalPERS Annual Valuation Actuarial Report for the Pension Plan dated as of June 30, 2024.

The standard actuarial practice at CalPERS is to recognize mandated legislative benefit changes in the first annual valuation following the effective date of the legislation. Voluntary benefit changes by plan amendment are generally included in the first valuation that is prepared after the amendment becomes effective, even if the valuation date is prior to the effective date of the

amendment. See "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2025, NOTES TO BASIC FINANCIAL STATEMENTS, Note [9], Pension Plan" for additional information about the Pension Plan.

Other Post-Employment Benefits. The District provides other post-employment benefits to certain former employees as described below.

Full-time employees who retire from the District after at least 10 years of service are eligible to receive health care benefits covering themselves and any qualified family members (the "**OPEB Plan**"). The District pays 100 percent of the premiums for both retirees and eligible family members for all retirees until the retiree reaches age 65. Once the retiree reaches age 65, a percentage of the health care benefits for said retirees is covered based on years of service for either the Anthem Blue Cross Classic PPO with Medicare, Anthem Blue Cross HMO with Medicare, or the Kaiser Senior Advantage Plan, and eligible family members are offered health benefits at the retired employee's expense. The contribution requirements of OPEB Plan members and the District are established and may be amended by the Board of Directors.

The contribution requirements of OPEB Plan members and the District are based on current year retiree premiums. For the fiscal year ended June 30, 2025, the District paid $61,257.35 on behalf of its retirees. This amount was reimbursed by the District's CalPERS California Employer's Retiree Benefit Trust ("**CERBT**"). As of June 30, 2025, the CERBT had a balance of $1.2 million. In Fiscal Year 2024-25, the District contributed $0.00 to the OPEB Plan.

The District's net OPEB liability for the fiscal year ended June 30, 2025, for which the measurement period was July 1, 2023 to June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability for such fiscal year was determined by an actuarial valuation dated June 30, 2023, based on certain actuarial methods and assumptions. As of June 30, 2025, the District's net OPEB liability and the total OPEB liability were $1,480,495 and $2,609,826, respectively.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

See "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2025, NOTES TO BASIC FINANCIAL STATEMENTS, Note [9], Other Post-Employment Benefits (OPEB)" and "Schedule of Changes in the Net OPEB Liability and Related Ratios" therein for the actuarial methods and assumptions and additional information regarding the District's OPEB costs.

CERTAIN RISK FACTORS

The following information should be considered by prospective investors in evaluating the 2026 Certificates. However, the following does not purport to be an exhaustive listing of risks and other considerations, which may be relevant to investing in the 2026 Certificates. In addition, the order

in which the following information is presented is not intended to reflect the relative importance of any such risks.

The purchase of the 2026 Certificates involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and interest on the 2026 Certificates. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors.

Demand and Usage

There can be no assurance that the local demand for services provided by the Water System will continue according to historical levels. In addition, in prior years, the State experienced a significant drought that resulted in severe impacts to California's water supplies and its ability to meet all the demands for water in the State. See "THE WATER SYSTEM – Drought Declarations."

Expenses

There can be no assurance that the District's Operation and Maintenance Costs and capital expenses, including those payment obligations arising as a result of the District's participation in any joint powers authorities, including CCWA, or its shared ownership or capacity rights in facilities owned by other local agencies, will be consistent with the levels described in this Official Statement, including the Randall-Bold WTP. Changes in technology, increases in the cost of energy or other expenses, and increased regulatory requirements would reduce Net Revenues, and could require substantial increases in rates or charges to comply with the rate covenant. Such rate increases could increase the likelihood of nonpayment and could also decrease demand. See "THE WATER SYSTEM –Drought Declarations."

Public Health Emergencies

In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats like the COVID-19 pandemic, which had significant adverse health and financial impacts throughout the world. There could be future public health emergencies that could have material adverse effects on the District's operations and finances and the economy, real estate market and development within the District's service area.

Parity Debt

Although the District has covenanted not to issue or incur additional obligations payable from Net Revenues that are senior to the 2026 Installment Payments, the 2026 Installment Sale Agreement permits the issuance by the District of certain indebtedness which may have a lien upon the Net Revenues, which is on a parity basis to the lien, which secures the 2019 Installment Payments, 2022 installment Payments and 2026 Installment Payments upon the satisfaction of certain conditions, including a coverage test.

The coverage test involves, to some extent, projections of Net Revenues. If such indebtedness is issued, the debt service coverage for the 2026 Installment Payments will be diluted below what it otherwise would be. Moreover, there is no assurance that the assumptions that form the basis of such projections, if any, will be realized subsequent to the date of such projections. If such assumptions are not realized, the amount of future Net Revenues may be less than projected, and the actual amount of

Net Revenues may be insufficient to provide for the payment of the 2026 Installment Payments and such additional indebtedness. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 CERTIFICATES – Parity Debt" in this Official Statement.

Threat to Water Supply

Deliveries of imported supplies to the District are dependent on an extensive network of facilities used to acquire, treat, pump, store, and convey imported supplies to the District. Water systems are vulnerable to seismic events (as well as other unplanned facility failures and catastrophes) that could result in varying degrees of water supply disruptions for periods of days, weeks, or months. Given the presence of several major earthquake fault lines in proximity to the District facilities, earthquakes have a high potential for resulting in an infrastructure outage that could disrupt service to and within the District. System reliability disruptions for the District can be caused by outages of key water facilities.

Supply reliability disruptions can be caused by droughts, environmental regulations resulting in restrictions in water exports from the Central Valley Project, seismic risks to levees in the Delta that protect it from seawater intrusion, and long-term climate variability. Of the many factors affecting supply reliability, the factor with the greatest degree of variability and with the largest impact on supplies is climate variability and associated effects on hydrology. Climate variability adds a layer of uncertainty in estimating the future availability of imported water. While different climate variability models show differing effects, potential changes could include more precipitation falling in the form of rain rather than snow and earlier snowmelt. Earlier snowmelt would result in more runoff occurring in the winter rather than spread out over winter and spring, which in turn impacts supply availability during late spring and summer. The District cannot provide any assurance that such supplies to the District will be sufficient to meet demand in the future. See "THE WATER SYSTEM – Drought Declarations."

Natural Disasters

The District, like all northern California communities, is subject to unpredictable seismic activity, fires or floods. If there were a severe seismic, flood or fire event in the District, there could be substantial damage to and interference with the District, the Water System and its customers, which could affect the District's ability to pay the 2026 Installment Payments.

In recent years, wildfires have caused extensive damage throughout the State. Certain of these fires have burned thousands of acres and destroyed hundreds and in some cases thousands of homes. In some instances, entire neighborhoods have been destroyed. Several fires which occurred in 2017 damaged or destroyed property in areas that were not previously considered to be at risk from such events. In November 2018, the Camp Fire occurred in Butte County, California. The Camp Fire burned more than 150,000 acres and destroyed more than 11,500 structures, including most of the structures in the City of Paradise, California. In January 2025, multiple wildfires occurred in Los Angeles County, including the Palisades fire in the City of Los Angeles, and the Eaton fire in the City of Altadena. These fires destroyed more than 16,000 structures and resulted in at least 29 confirmed fatalities. Several wildfires in recent years are believed to have been caused by power distribution and transmission lines coming into contact with dry trees and other vegetation during extreme weather events (such as high winds) and malfunctions in electric equipment. Some commentators believe that climate variability will lead to even more frequent and damaging wildfires in the future. The Governor has previously signed a number of measures into law intended to address a variety of issues related to

mitigating the risk of wildfires, including forest management, mutual aid for fire departments, emergency alerts and other safety mandates, and it is expected that he will continue to do so. It is also expected that a variety of financial relief measures for affected communities and individuals will be considered. The District has not been directly affected by a recent or current California wildfire; however, there can be no assurances that wildfires will not affect the District's water pipeline systems. If wildfires were to substantially damage or destroy the District's water pipeline systems, the District's ability to pay the 2026 Installment Payments could be affected.

Climate Variability

The State has historically been susceptible to wildfires and hydrologic variability. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, climate variability is expected to intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods and heat waves, and raising sea levels.

The District's primary source of water is, and historically has been, surface water purchased from CCWD. CCWD relies on surface water diversions from the Delta to meet customer demands. CCWD's annual water allocation from the Central Valley Project depends on snowpack in, and runoff from, the Sierra Nevada Mountains and Cascades. Under climate variability projections where the climate is hotter and drier, the Central Valley Project is able to meet fewer of its contract demands, resulting in water supply shortages of greater frequency and significance than currently experienced.

The future fiscal impact of climate variability on the District is difficult to predict, but it could be significant, and it could have a material adverse effect on the District's finances by requiring greater expenditures to counteract the effects of climate variability, by changing the business and activities of the District's customers, or by increasing the cost or decreasing the availability of water supplies from CCWD. See "THE WATER SYSTEM – Drought Declarations."

Insurance

The 2026 Installment Sale Agreement obligates the District to obtain and keep in force various forms of insurance or self-insurance, subject to deductibles, for repair or replacement of a portion of the Water System in the event of damage or destruction to such portion of the Water System. No assurance can be given as to the adequacy of any such self-insurance or any additional insurance to fund necessary repair or replacement of any other portion of the Water System. Significant damage to the Water System could cause the District to be unable to generate sufficient Net Revenues to pay the principal and interest on the 2026 Certificates.

See "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2025, NOTES TO BASIC FINANCIAL STATEMENTS, [Note 13, Risk Management]" for further information.

Articles XIIIC and XIIID of the California Constitution

General. On November 5, 1996, California voters approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became

effective on November 6, 1996, changed, among other things, the procedure for the imposition of any new or increased property-related "fee" or "charge," which is defined as "any levy other than an ad valorem tax, a special tax or an assessment, imposed by a (local government) upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service" (and referred to in this section as a "property-related fee or charge").

On November 2, 2010, California voters approved Proposition 26, the so-called "Supermajority Vote to Pass New Taxes and Fees Act". Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as "fees." Proposition 26 amended Articles XIIIA and XIIIC of the State Constitution. The amendments to Article XIIIA limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Proposition 26's amendments to Article XIIIC broadly define "tax" but specifically exclude, among other things:

> "(1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.
> (2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.
> …
> (6) A charge imposed as a condition of property development.
> (7) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D."

Property-Related Fees and Charges. Under Article XIIID, before a public agency may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The public agency must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the public agency may not impose or increase the property-related fee or charge.

Further, under Article XIIID, revenues derived from a property-related fee or charge may not exceed the funds required to provide the "property-related service" and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

Initiative and Referendum Powers. In addition, Article XIIIC states that "the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives."

Moreover, Article II, section 9, subdivision (a) states, "[t]he referendum is the power of the electors to approve or reject statutes or parts of statutes except urgency statutes, statutes calling

elections, and statutes providing for tax levies or appropriations for usual current expenses of the State." In *Wilde v. City of Dunsmuir*, involving a plaintiff that sought to challenge the City of Dunsmuir's water rate master plan, the Court of Appeal of California, Third Appellate District, held that Proposition 218 does not curtail the voters' referendum powers under Article II to challenge local resolutions and ordinances. In addition, the Court rejected the City's allegation that its rate schedule was not subject to referendum under the "essential government service exception" to the voter's referendum power. In general, a referendum that would preclude the functioning of essential government services is not permissible. *Hunt v. Mayor and Council of City of Riverside (1948) 31 Cal.2d 619, 628-29*. But the Court held that the City of Dunsmuir's water rate schedule did not affect the functioning of essential government services.

Judicial Interpretation of Article XIIID. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General opinion initially indicated that fees and charges levied for water services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIIID regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three subsequent cases have held that certain types of water charges could be subject to the requirements of Article XIIID under certain circumstances.

In *Richmond v. Shasta Community Services District* (9 Cal. Rptr. 3rd 121), the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIIID to certain charges related to water service. In *Richmond*, the Court held that connection charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIIID.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (March 23, 2005), the California Court of Appeal, Fifth District, concluded that water, wastewater and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIIID before imposing or increasing such fees. The California Supreme Court denied the City of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

In July 2006, the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (S127535, July 24, 2006), addressed the validity of a local voter initiative measure that would have (a) reduced a water agency's rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIIID and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIIIC's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIIC and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was *not* determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

Compliance by the District with Article XIIIC and Article XIIID. The District believes its water service charges do not constitute a "tax" under Article XIIIC. The District believes its connection fee is not a "tax" as defined by Proposition 26 because it is a charge to a landowner that is imposed (typically as a condition of property development) for a specific service and does not exceed the reasonable costs of conferring the service.

The District will continue to comply with the provisions of Articles XIIIC and XIIID and implementing legislation in connection with future rate increases, as such requirements may be interpreted by state courts.

Conclusion. It is not possible to predict how courts will further interpret Article XIIIC and Article XIIID in future judicial decisions, and what, if any, further implementing legislation will be enacted.

Under the *Bighorn and Wilde v. City of Dunsmuir* cases, local voters could adopt an initiative or referendum measure that reduces or repeals the District's rates and charges, although it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness.

There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIIIC and Article XIIID to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for utility service or to call into question previously adopted utility rate increases.

San Juan Capistrano Litigation. In August 2013, an Orange County Superior Court judge ruled that the tiered pricing model of San Juan Capistrano, which charges higher rates to customers who use more water, violates Proposition 218. The City appealed the decision to the 4th District Court of Appeal, which published its decision on April 20, 2015. The court's decision found that the City's tiered rates were not sufficiently cost justified but that the Constitution does allow for tiered rates. A rehearing petition was filed with the court on May 6, 2015. The 4th District Court of Appeal subsequently modified its unpublished opinion on May 19, 2015, without change in the judgment. In July 2015, the California Supreme Court denied a request to depublish the case. The District believes that its rate structure is distinguishable from the structure deemed unconstitutional in San Juan Capistrano and is consistent with Proposition 218 and the Constitution because the District's tiered rates correlate with the actual costs for the various tiers.

Limited Recourse on Default

If the District defaults on its obligation to make the 2026 Installment Payments, the Trustee, as assignee of the Corporation, has the right to accelerate the total unpaid 2026 Installment Payments.

However, in the event of a default and such acceleration there can be no assurance that the District will have sufficient Net Revenues to pay the accelerated 2026 Installment Payments.

Limitations on Remedies Available; Bankruptcy

The enforceability of the rights and remedies of the Owners and the obligations of the District may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equitable principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercising of powers by the federal or State government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

The opinion to be delivered by Special Counsel concurrently with the execution and delivery of the 2026 Certificates will be subject to such limitations and the various other legal opinions to be delivered concurrently with the execution and delivery of the 2026 Certificates will be similarly qualified. See Appendix D. In the event that the District fails to comply with its covenants under the 2026 Installment Sale Agreement or fails to pay the 2026 Installment Payments, which secure the payments of principal and interest with respect to the 2026 Certificates, there can be no assurance of the availability of remedies adequate to protect the interest of the Owners of the 2026 Certificates.

Limited Obligation

The District's obligation to make 2026 Installment Payments is a special obligation of the District payable solely from Net Revenues and other funds provided for in the 2026 Installment Sale Agreement. The District has not agreed to levy any form of taxation to pay the 2026 Installment Payments.

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS," interest with respect to the 2026 Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date the 2026 Certificates were issued, as a result of future acts or omissions of the District in violation of its covenants in the 2026 Installment Sale Agreement. Should such an event of taxability occur, the 2026 Certificates are not subject to special prepayment and will remain outstanding until maturity or until prepaid under other prepayment provisions set forth in the Trust Agreement.

Secondary Market for 2026 Certificates

There can be no guarantee that there will be a secondary market for the 2026 Certificates or, if a secondary market exists, that any 2026 Certificates can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend

upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price. No assurance can be given that the market price for the 2026 Certificates will not be affected by the introduction or enactment of any future legislation or changes in interpretation of existing law.

Cyber Security

The District, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the District is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. No assurance can be given that the District's efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the District, or the administration of the 2026 Certificates. The District is also reliant on other entities and service providers in connection with the administration of the 2026 Certificates, including without limitation the Trustee.

In addition, the District has an adopted cyber security regulation and is in full accordance with the America Water Infrastructure Act ("**AWIA**") that was signed into law by Congress in 2018. Section 2013 of Title II of AWIA requires utilities to update their risk assessments and emergency response plans. AWIA specifies the component risk assessments and response plans must address, and establishes deadlines by which the District must certify to the Environmental Protection Agency completion of these tasks. The District is actively maintaining compliance with AWIA and is on track to meet all requirements, including cyber risk requirements, laid out in the new legislation. By partnering with local and regional public agencies in a joint effort, the District is taking a comprehensive approach to compliance. The joint effort has the added advantage of strengthening relationships with local, regional, and federal agencies to help bolster cyber response coordination. The District has implemented cybersecurity training and managed information and technology services by a professional third party.

No assurance can be given that the District and these other entities will not be affected by cyber threats and attacks in a manner that may affect the 2026 Certificate Owners.

Change in Law

In addition to the other limitations described in this Official Statement, the California electorate or Legislature could adopt a constitutional or legislative property tax decrease or an initiative with the effect of reducing revenues payable to or collected by the District. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could have the effect of reducing the Net Revenues and adversely affecting the security of the 2026 Certificates.

Rate Covenant Not a Guarantee

The 2026 Installment Payments are payable from Net Revenues of the Water System. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 CERTIFICATES." The District's ability to pay the 2026 Installment Payments depends on its ability to generate Net Revenues at the levels required by the 2026 Installment Sale Agreement. Although the District has covenanted in the 2026 Installment Sale Agreement to impose rates and charges as more particularly described under the

caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 CERTIFICATES – Rate Covenants," and although the District expects that sufficient Net Revenues will be generated through the imposition and collection of such rates and charges, there is no assurance that the imposition and collection of such rates and charges will result in the generation of Net Revenues in amounts that are sufficient to pay the 2026 Installment Payments. Among other matters, the availability of and demand for water and changes in law and government regulations could adversely affect the amount of Net Revenues realized by the District. The failure to generate sufficient Net Revenues to pay the 2026 Installment Payments does not constitute a default or Event of Default under the 2026 Installment Sale Agreement or the Trust Agreement, provided that the District has set rates and charges at levels that it reasonably expects will generate sufficient Net Revenues at the beginning of each Fiscal Year.

CONTINUING DISCLOSURE

The District has covenanted in its continuing disclosure certificate for the benefit of the holders and beneficial owners of the 2026 Certificates to provide certain financial information and other operating data on an annual basis no later than the date that is nine months after the end of the District's fiscal year (currently April 1 based on the District's fiscal year end of June 30), commencing on April 1, 2026, and to provide notice of certain enumerated events as required by the Rule. The specific nature of the information to be contained in the annual report or the notices of enumerated events is summarized under the caption "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made to assist the Underwriter in complying with the Rule.

In the past five years, the District has not failed to comply in all material respects with its undertakings under the Rule.

To assist the District to comply with its undertakings under the Rule, the District has adopted continuing disclosure policies and procedures and has designated the General Manager as the staff person responsible for compliance.

Any failure by the District to comply with the provisions of its Continuing Disclosure Certificate will not constitute a default under the Trust Agreement (although 2026 Certificate Owners will have any remedy available at law or in equity as provided in the Continuing Disclosure Certificate). Nevertheless, such a failure to comply must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2026 Certificates in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2026 Certificates.

RATING

S&P has assigned its municipal bond rating of "[__]" to the 2026 Certificates. Future events could have an adverse impact on the rating of the 2026 Certificates, and there is no assurance that any credit rating that is given to the 2026 Certificates will be maintained for any period of time or that a rating may not be qualified, downgraded, lowered, or withdrawn entirely by S&P if, in its judgment, circumstances so warrant, nor can there be any assurance that the criteria required to achieve the rating on the 2026 Certificates will not change during the period that the 2026 Certificates remain outstanding.

Any qualification, downward revision, lowering or withdrawal of the rating on the 2026 Certificates may have an adverse effect on the market price of the 2026 Certificates. The rating reflects only the views of S&P, and an explanation of the significance of the rating, and any outlook assigned to or associated with these rating, should be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The District has provided certain additional information and materials to S&P (some of which do not appear in this Official Statement).

In providing a rating on the 2026 Certificates, S&P may have performed independent calculations of coverage ratios using its own internal formulas and methodology, which may not reflect the provisions of the Trust Agreement or the 2026 Installment Sale Agreement. The District makes no representations as to any such calculations, and such calculations should not be construed as a representation by the District as to past or future compliance with any financial covenants, the availability of particular revenues for the payment of debt service, or for any other purpose.

The District has covenanted in the Continuing Disclosure Certificate to file notices of any rating changes on the 2026 Certificates with EMMA. See "CONTINUING DISCLOSURE" and Appendix E. Notwithstanding such covenant, information relating to rating changes on the 2026 Certificates may be publicly available from the rating agency prior to such information being provided to the District and prior to the date by which the District is obligated to file a notice of rating change. Purchasers of the 2026 Certificates are directed to S&P and its website and official media outlets for the most current rating with respect to the 2026 Certificates after their initial execution and delivery. No information on such websites or outlets is incorporated herein by reference.

TAX MATTERS

General

In the opinion of Anzel Galvan LLP, San Francisco, California, Special Counsel, under existing law and subject to certain qualifications described below, the portion of the 2026 Installment Payments designated as and comprising interest is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "**Tax Code**"). The portion of the Installment Payments designated as and comprising Interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on certain corporations. In the further opinion of Special Counsel, the portion of the 2026 Installment Payments designated as and comprising interest is exempt from California personal income taxes. The proposed form of opinion of Special Counsel with respect to the 2026 Certificates to be delivered on the date of issuance of the 2026 Certificates is set forth in Appendix D.

The Tax Code contains a number of requirements that apply to the 2026 Certificates, and the District has made certain representations and has covenanted to comply with each such requirement. Special Counsel's opinion assumes the accuracy of the representations made by the District and is subject to the condition that the District comply with the above-referenced covenants. If the District fails to comply with such covenants or if the District's representations are inaccurate or incomplete, the portion of the 2026 Installment Payments designated as and comprising could be included in gross income for federal income tax purposes retroactively to the date the 2026 Certificates are executed and delivered.

Except as expressly stated herein, Special Counsel expresses no opinion regarding any tax consequences related to the ownership, sale or disposition of the 2026 Certificates or the amount, accrual, or receipt of the portion of the 2026 Installment Payments designated and comprising interest. Owners of the 2026 Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2026 Certificates.

Original Issue Premium and Discount

If the initial offering price to the public at which a Certificate is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes. If the initial offering price to the public at which a Certificate is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income to the extent properly allocable to each owner thereof subject to the limitations described herein. The original issue discount accrues over the term to maturity of the 2026 Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of 2026 Certificates to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of 2026 Certificate. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2026 Certificates who purchase the 2026 Certificates after the initial offering of a substantial amount of such maturity. Owners of 2026 Certificates should consult their own tax advisors with respect to the tax consequences of ownership of 2026 Certificates with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on 2026 Certificates under the federal alternative minimum tax.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 2026 Certificate (said term being the shorter of the 2026 Certificate's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2026 Certificate for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Certificate is amortized each year over the term to maturity of the 2026 Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Certificate premium is not deductible for federal income tax purposes. Owners of premium Certificates, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax consequences of owning 2026 Certificates.

Post-Issuance Matters

The opinion of Special Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Special Counsel's judgment as to the proper treatment of the 2026 Certificates for federal income tax purposes. It is not binding on the Internal Revenue Service ("**IRS**") or the courts. Furthermore, Special Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes

in the Tax Code, the applicable regulations, the interpretation thereof, or the enforcement thereof by the IRS.

Special Counsel's engagement with respect to the 2026 Certificates ends with the execution and delivery of the 2026 Certificates, and, unless separately engaged, Special Counsel is not obligated to defend the District or the Owners regarding the tax-exempt status of the 2026 Certificates in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of the 2026 Certificates is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the 2026 Certificates for audit, or the course or result of such audit, or an audit of 2026 Certificates presenting similar tax issues, may affect the market price for, or the marketability of, the 2026 Certificates and may cause the District or the Owners to incur significant expense.

Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2026 Certificates to be subject, directly or indirectly, to federal income taxation or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2026 Certificates. Prospective purchasers of the 2026 Certificates should consult their own tax advisors regarding any pending or proposed legislation, regulations, or litigation, as to which Special Counsel expresses no opinion.

Bank Qualified

The District has designated the 2026 Installment Payments as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

NO LITIGATION

Concurrently with the delivery of the 2026 Certificates, the District will certify that, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending of which the District has received service of process or, to the knowledge of the District, threatened against the District, seeking to restrain or enjoin the execution and delivery of the 2026 Certificates, the Trust Agreement or the 2026 Installment Sale Agreement, or in any way contesting or affecting the validity of the foregoing or any proceeding of the District taken with respect to any of the foregoing or that will materially affect the ability of the District to pay its 2026 Installment Payments when due.

Various claims and suits are filed against the District in the normal course of business. Although the outcome of pending matters is not presently determinable, in the opinion of legal counsel, there is no suit pending against the District of which the District has received service of process that will have a material adverse effect on the financial condition of the District.

CERTAIN LEGAL MATTERS

The validity and enforceability of the 2026 Installment Sale Agreement and the Trust Agreement and certain other legal matters are subject to the approving opinion of Anzel Galvan LLP, Special Counsel to the District. A complete copy of the proposed form of Special Counsel opinion is set forth in Appendix D. Anzel Galvan LLP is not passing upon and undertakes no responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement.

Certain legal matters will be passed upon for the District by Anzel Galvan LLP, San Francisco, California, as Disclosure Counsel, for the District by Miliband Water Law, Sacramento, California, for the Underwriter by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, as Underwriter's Counsel and for the Trustee by its counsel. Special Counsel, Disclosure Counsel and Underwriter's Counsel will receive compensation for their legal services provided in connection with the 2026 Certificates contingent upon the sale and delivery of the 2026 Certificates.

UNDERWRITING

Oppenheimer & Co. Inc., the underwriter of the 2026 Certificates (the "**Underwriter**"), has agreed to purchase the 2026 Certificates from the Corporation at a purchase price of $_____ (being an amount equal to the principal amount of the 2026 Certificates ($_____), [plus/less] an original issue [premium/discount] of $_____, less an underwriter's discount of $_____).

The purchase contract under which the Underwriter is purchasing the 2026 Certificates provides that the Underwriter will purchase all the 2026 Certificates if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the purchase contract.

The public offering prices of the 2026 Certificates may be changed from time to time by the Underwriter. The Underwriter may offer and sell Certificates to certain dealers and others at a price lower than the offering price stated on the cover page of this Official Statement.

MUNICIPAL ADVISOR

The District has retained Urban Futures, Inc., Walnut Creek, California, as its Municipal Advisor (the "**Municipal Advisor**") in connection with the authorization and delivery of the 2026 Certificates. The payment of the Municipal Advisor's fees for services rendered with respect to the sale of the 2026 Certificates is contingent upon the authorization and delivery of the 2026 Certificates. The Municipal Advisor assumes no responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the 2026 Certificates or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

MISCELLANEOUS

The purpose of this Official Statement is to supply information to prospective buyers of the 2026 Certificates. References are made herein to certain documents and reports, which are brief summaries thereof which do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Trust

Agreement, the 2026 Installment Sale Agreement, and other documents are available, upon request and upon payment to the District of a charge for copying, mailing and handling, from the Secretary of the Board of Directors at 87 Carol Lane, Oakley, California 94561.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the 2026 Certificates.

This Official Statement and its distribution have been duly authorized and approved by District.

DIABLO WATER DISTRICT

By: _____
General Manager

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2025

APPENDIX B

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF OAKLEY AND THE COUNTY OF CONTRA COSTA

[TO COME]

APPENDIX D

FORM OF SPECIAL COUNSEL OPINION

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$[PAR]
DIABLO WATER DISTRICT
2026 WATER REVENUE CERTIFICATES OF PARTICIPATION
(GREEN BONDS)

This CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the DIABLO WATER DISTRICT (the "District") in connection with the execution and delivery of the certificates of participation captioned above (the "2026 Certificates"). The 2026 Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of January 1, 2026 (the "Trust Agreement"), by and among the District, CSDA Finance Corporation, and U.S. Bank Trust Company, National Association, in its capacity as trustee (the "Trustee").

The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the 2026 Certificates and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date that is nine months after the end of the District's fiscal year (currently April 1 based on the District's fiscal year end of June 30).

"*Dissemination Agent*" means the District, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement executed by the District in connection with the issuance of the 2026 Certificates.

"*Participating Underwriter*" means Oppenheimer & Co. Inc., the original underwriter of the 2026 Certificates required to comply with the Rule in connection with offering of the 2026 Certificates.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2026, with the report for the 2024-25 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate; provided that the filing of the Official Statement with the MSRB shall satisfy the requirement to file the report for fiscal year 2024-25. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the Annual Report Date if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine prior to each Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate and stating the date it was provided.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

(a) The District's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following information:

(i) The principal amount of 2026 Certificates Outstanding as of the December 31 preceding the next Annual Report Date; and

(ii) An update of the information contained in Tables 3, 4a, 4b, 5, 6, 9 and 11 of the Official Statement as of June 30 for the most recently completed Fiscal Year.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet website or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the 2026 Certificates:

(1) Principal and interest payment delinquencies.

(2) Non-payment-related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District or other obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving the District or an obligated person, or the sale of all or substantially all of the assets of the District or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Upon the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates under the Trust Agreement.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the 2026 Certificates. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will, as soon as possible, determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming

a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with Rule 15c2-12.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the 2026 Certificates. If such termination occurs prior to the final maturity of the 2026 Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the District. Any Dissemination Agent may resign by providing 30 days' written notice to the District.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 2026 Certificates, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the 2026 Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the 2026 Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the 2026 Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for

the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the 2026 Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the 2026 Certificate holders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2026 Certificates.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the 2026 Certificates, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Section 15. Governing Law. This Disclosure Certificate is to be construed in accordance with and governed by the laws of the State of California.

Date: _____, 2026

DIABLO WATER DISTRICT

By: _____
General Manager

APPENDIX F

BOOK ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the 2026 Certificates, payment of principal, interest and other payments on the 2026 Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2026 Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the 2026 Certificates (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the 2026 Certificates (the "Agent") take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2026 Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2026 Certificates, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2026 Certificates, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2026 Certificates (the "Securities"). The Securities will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain

other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is, in turn, to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Prepayment notices shall be sent to DTC. If less than all of the Securities within an issue are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures.

Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Prepayment proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

APPENDIX G

ADOPTED WATER RATES RESOLUTION

APPENDIX H

FORM OF GREEN BONDS PROJECT REPORT

$[PAR]
DIABLO WATER DISTRICT
2026 WATER REVENUE CERTIFICATES OF PARTICIPATION
(GREEN BONDS)

Date of Issuance: _____, 2026
CUSIP: _____

NOTICE IS HEREBY GIVEN, that the Diablo Water District has financed the following project with the above-referenced certificates of participation (collectively, the "Certificates"):

Amount Financed	Project Description
$	

This notice is to provide interested parties with information regarding the use of proceeds of the 2026 Certificates. [Once all proceeds of the 2026 Certificates have been spent, no further updates will be provided.] [All proceeds of the 2026 Certificates have been spent; no further updates on the projects or the use of the 2026 Certificates will be provided.]

Dated: _____

DIABLO WATER DISTRICT
December 10, 2025 Board Meeting
Item Number 6

TO: Each Director

FROM: Dan Muelrath, General Manager

SUBJECT: Urban Water Management Plan Contract Award.

The Urban Water Management Planning Act (California Water Code §§10610–10656) requires all urban water suppliers serving more than 3,000 connections or delivering more than 3,000 acre-feet of water annually to prepare and adopt an Urban Water Management Plan (UWMP) every five years. The UWMP provides a long-term evaluation of water supply reliability, projected demands, water conservation programs, and drought preparedness. It includes population and demand forecasts, water supply characterization, water shortage contingency planning, and demonstrating consistency with statewide conservation and reliability mandates.

UWMPs must be submitted to the California Department of Water Resources (DWR) by July 1, 2026, and must follow DWR's updated 2025 guidelines, templates, and reporting methodologies.

To ensure compliance with state requirements and to complete the analytical work within the planning timeline, staff recommends executing a Task Order with CDM Smith, which has the technical expertise, historical knowledge of the District's system, and experience preparing previous UWMPs. The work will include data compilation, water demand and supply modeling, evaluation of drought and shortage response measures, preparation of the draft and final UWMP, facilitation of required public meetings, and completion of the electronic DWR submittal package.

The $138,808 contract amount is within the District's approved FY 2025/26 budget.

RECOMMENDATION:

Authorize the General Manager to execute a Task Order with CDM Smith to prepare the District's 2025 Urban Water Management Plan (UWMP) and related submittals in an amount no to exceed $138,808, plus a 10% contingency.

Dan Muelrath

Dan Muelrath
General Manager

Attachments: UWMP Task Order – CDM Smith

EXHIBIT A TO
TASK ORDER NO. 2026-1
DIABLO WATER DISTRICT

Professional Services for Preparation of 2025 Urban Water Management Plan

The following information is provided herein:

- Purpose of Project
- Scope of Work
- Compensation
- Schedule

Purpose of Project

The purpose of this project is to prepare the Diablo Water District's (District or DWD) 2025 Urban Water Management Plan (UWMP), using the 2020 UWMP (and errata filed with the California Department of Water Resources [DWR] in 2022), supplemented by the 2020 Facilities Plan, as a starting point. The UWMP is required by State law to address water demands, supply sources, recycled water, water conservation, drought risks, and water shortage contingency planning. Each water agency is required to update its UWMP every five years. An updated plan must be submitted to the California Department of Water Resources (DWR) by July 1, 2026.

Scope of Work

The objective of this scope of services is to prepare the 2025 UWMP. The report will be prepared in a format to facilitate review by DWR, clearly identifying the regulatory requirements that the information is intended to meet and preparing tables in DWR's required, standardized format for eventual upload to their online data portal. DWR's 2025 UWMP Guidebook for Urban Water Suppliers (draft published in November 2025 and final expected early 2026) will inform the required content and methodology for all elements of the UWMP.

Task 1 – Agency Coordination and Public Participation

Approach:

- Attend DWR workshop presenting the final 2025 UWMP Guidebook; review DWR's guidance, methodologies, and required tables; incorporate requirements into the 2025 UWMP preparation process.

- Assist District with agency coordination with Contra Costa Water District (CCWD), Ironhouse Sanitary District (ISD), and East Contra Costa Subbasin Groundwater Sustainability Agency (GSA) throughout the UWMP process; and attend meetings, if scheduled, with CCWD and their

other retailers to discuss coordinated approach and presentation of data on CCWD supply reliability and the regional alliance for CCWD retail agencies.

- Assist District with public participation efforts:
  - Prepare draft notices and transmittals to agencies/stakeholders (initial notification to surrounding agencies/stakeholders that the 2025 UWMP is being prepared, providing the Draft UWMP for review, and providing a copy of the Final UWMP within 30 days of adoption). It is assumed that the transmittals will be e-mailed to agencies in PDF format;
  - Assist District in preparing two newspaper notices;
  - Prepare a presentation on the Draft UWMP results and present to the Board in April;
  - Prepare a presentation on the Draft UWMP and present at the Board public hearing in May;
  - Prepare a presentation on the Final UWMP and present at the Board adoption hearing in June.

Key Assumptions:

- Final edits to guidance and requirements put forth in DWR's Final 2025 UWMP Guidebook (not yet available) could affect this scope of work and level of effort.
- CDM Smith project manager will attend up to two one-hour CCWD coordination meetings and two one-hour GSA coordination meetings.
- Two CDM Smith staff will attend and present at the District board meetings.

Deliverables:

- Summarize key items from workshops and CCWD and GSA meetings via email.
- Draft and final agency/stakeholder notices; draft and final newspaper notices; UWMP results presentation; UWMP public hearing presentation; and UWMP adoption hearing presentation.

Task 2 – Introduction and Service Area Characteristics

Approach:

- Update the introductory information from the 2020 UWMP, including the latest regulatory requirements, a lay person's description of the UWMP, summary of agency coordination, and summary of public hearing and plan adoption.
- Update the service area characteristics information from the 2020 UWMP, including location, service area, land use information, climate characteristics, demographics, and population projections. This will make use of information contained in the DWD Water Demand Projection Memo from December 2024.

- Review and update population projections based on currently available information from the City of Oakley, Contra Costa County, and State. Review DWR's online Population Tool to revise historical population estimates that were included in the 2020 UWMP, if necessary.

- Prepare the data tables required by DWR for online submittal, as detailed in DWR's UWMP Guidebook.

Key Assumptions:

- CDM Smith will use information from the 2020 Facilities Plan as a starting point, but will also check with Oakey and Contra Costa County if they have completed updates to their General Plans by the time UWMP preparation is underway.

Deliverables:

- Draft report sections incorporated into the Administrative Draft UWMP under Task 8.

Task 3 – Water Demands

Approach:

- Update the 2020 UWMP's section on District water demands. This will include incorporating 2025 calendar year data on meters and total water supplied, incorporating projected meters and deliveries in 5-year increments through 2045 from the December 2024 Water Demand Projection Memo, updating information on low-income customers and their projected water use, presenting the 2025 monthly demand distribution, and displaying or accounting for water savings estimated to have resulted from adopted codes, or standards.

- Present distribution system water loss for the past five years and indicate the District's progress toward reducing real water loss to no more than the planned standard by 2028.

- Report that the District met its 2020 SB X7-7 water use reduction target. Include a lay person's description of the SB X7-7 process.

- Prepare the data tables required by DWR for online submittal, as detailed in DWR's UWMP Guidebook.

Key Assumptions:

- District will provide data on 2025 calendar year meters by customer type, 2025 calendar year water supplied, 2025 monthly water supplied from reports to State Division of Drinking Water, number of customers participating in the District's discounted rate program and their water use, 2021 through 2025 distribution system water loss (as previously reported to the State), and any available data quantifying estimated water savings from conservation measures.

Deliverable:

- Draft report section incorporated into the Administrative Draft UWMP under Task 8.

Task 4 – Water Supply Sources

Approach:

- Update the 2020 UWMP section on the District's existing and planned supply sources, using data from the District, the Water Supply Alternatives Study (December 2024), and Groundwater Treatment Technology Evaluation (January 2025), and include updates to:
  - Treated surface water purchased from CCWD.
  - Groundwater supply, including updating descriptions of existing and planned groundwater facilities, groundwater use over the past five years, groundwater basin, Groundwater Management Plan, GSA activity, and status of Groundwater Sustainability Plan.
  - ISD wastewater collection and treatment, existing and future wastewater flows, existing and projected recycled water program, and potential opportunities to partner with ISD for recycled water use or potable reuse in the District.
  - Potential opportunities for development of other potable and non-potable supplies and exchanges or transfers of water.
- Prepare the data tables required by DWR for online submittal, as detailed in DWR's UWMP Guidebook.

Key Assumptions:

- Water transfers and/or exchanges would only be applicable through CCWD, and would be included as part of surface water purchased from CCWD.
- CDM Smith will contact ISD for information on wastewater collection and treatment and current recycled water program.
- Discussion of potential recycled water use does not include a marketing survey of potential recycled water customers or specific customer recycled water demands.
- District will provide information on the current status of the GSA and GSP, or provide contact information for CDM Smith to gather this information.

Deliverable:

- Draft report section incorporated into the Administrative Draft UWMP under Task 8.

Task 5 – Water Supply Reliability

Approach:

- Review and update the 2020 UWMP section on the reliability of each of the District's supply sources.
- Prepare a simple lay description of how much water the District has on a reliable basis, how much it needs for the foreseeable future, what the District's strategy is for meeting its water needs, and the challenges facing the agency.

- Incorporate information obtained through Task 1 on CCWD's reliability of its wholesale surface water supply. Information from CCWD may be included as an appendix of the updated plan (this includes the demand assumptions that CCWD uses for DWD in its UWMP, and CCWD information on its supply availability).

- Identify and quantify, as available, the projected availability and use of CCWD surface water and groundwater, in 5-year increments through 2025. Address the anticipated availability of each source under a normal water year, a single dry water year, and multiple dry years (5 consecutive years). Include information on the basis of the water year data used for this analysis.

- Review and update information from the 2020 UWMP on factors affecting supply reliability, including water quality and climate change.

- Evaluate the supply and demand comparisons for each required period; include tables showing the supply and demand comparisons by individual year for each 5-year interval to 2045 based on updated demand and supply data developed in the preceding tasks.

- Using the information prepared under this task, prepare a drought risk assessment, including the following: a description of the data, methodology, and basis for one or more supply shortage conditions that are necessary to conduct a drought risk assessment for a drought period from 2026 through 2030; a determination of the reliability of each source of supply under a variety of water shortage conditions; a comparison of the total water supply available to the District with the total projected water use for that period; and considerations of the historical drought hydrology, plausible changes on projected supplies and demands under climate change conditions, anticipated regulatory changes, and other locally applicable criteria.

- Update the estimate of energy used to: extract or divert water supplies; convey water supplies to the water treatment plant; treat water supplies; and distribute water supplies through the distribution system, with information as available from the District.

- Prepare the data tables required by DWR for online submittal, as detailed in DWR's UWMP Guidebook.

Key Assumptions:

- DWR's 2025 UWMP Guidebook provides guidance and approach for addressing these reliability discussion requirements.
- Coordination with CCWD on surface water supply data will occur through Task 1.
- DWD will provide any data submitted to CCWD on projected future surface water use.

Deliverable:

- Draft report section incorporated into the Administrative Draft UWMP under Task 8.

Task 6 – Water Demand Management Measures

Approach:

- Review and update the 2020 UWMP section on Water Demand Management Measures (DMMs), based on DWR's 2025 Guidebook requirements.
- Coordinate with the District to obtain and prepare information on the District's 2021 through 2025 activities, or CCWD's activities on its behalf, to implement DMMs including limited to: waste water prevention ordinances; metering; conservation pricing; public education and outreach; programs to assess and management distribution system loss; water conservation programs coordinating and staffing support; and any other significant measures.
- Coordinate with the District's Conservation Coordinator to obtain the District's latest California Urban Water Conservation Council Best Management Practice annual report to include in the UWMP.
- Prepare the data tables required by DWR for online submittal, as detailed in DWR's UWMP Guidebook.

This task does not include developing cost effectiveness (cost-benefit) analyses of potential water demand management measures. If potential new measures are identified for implementation and cost effectiveness analyses are needed, the work could be authorized as Task 11, Additional Services.

Key Assumptions:

- District will provide information on DMM activities.
- DWR's 2025 UWMP Guidebook provides guidance and approach for addressing these requirements.

Deliverable:

- Draft report section incorporated into the Administrative Draft UWMP under Task 8.

Task 7 – Water Shortage Contingency Plan

Approach:

- Review the 2020 UWMP's subsection on the District's Water Shortage Contingency Plan and errata documented in 2022.
- Obtain and review District's current water conservation and water shortage ordinances, and information on CCWD drought restrictions during the recent dry years.
- Update the discussion of DWD's existing emergency plan (particularly in responding to earthquakes and power outages), seismic risk assessment and mitigation plans, or the most recent adopted local hazard mitigation plan or multi-hazard mitigation plan.
- Prepare the data tables required by DWR for online submittal, as detailed in DWR's UWMP Guidebook.

Key Assumptions:

- DWR's 2025 UWMP Guidebook provides guidance and approach for addressing these requirements.
- District to provide latest water conservation ordinance, water shortage ordinance, and emergency plans; CCWD drought restrictions during recent dry years; data on estimated revenue impacts from each level of water shortage; and the legal or statutory authorities to enforce actions.
- The District will provide any existing hazard mitigation plan documents; related City of Oakley, CCWD, or Contra Costa County plans; and data on energy usage for surface water and groundwater treatment, distribution, and storage within DWD's system.
- CDM Smith will make use of information from the District's Risk and Resilience Assessment.

Deliverable:

- Draft report section incorporated into the Administrative Draft UWMP under Task 8.

Task 8 – Report

Approach:

- Prepare Administrative Draft UWMP for District staff review.
- Prepare Final Draft UWMP incorporating District staff comments on the Administrative Draft. The Final Draft UWMP will be provided for agency, public, and Board review. As noted in Task 1, a public hearing will be held on the Final Draft UWMP.
- Prepare Final UWMP incorporating comments from the agency, public, and Board on the Final Draft. Submit electronic Final UWMP to DWR.
- Submit DWR-required Excel tables for upload into DWR online tool after UWMP is finalized.

Key Assumptions:

- Distribution of the Draft and Final UWMP to surrounding agencies/stakeholders occurs under Task 1.

Deliverables:

- Electronic copy of Administrative Draft UWMP.
- Electronic copy and 10 hard copies of Final Draft UWMP.
- Electronic copy and 10 hard copies of Final UWMP; all Final electronic PDF, Word, and Excel files.

Task 9 – Project Management

Approach:

- Project management and administration – scheduling, tracking performance, and providing monthly invoices and progress reports. Direct staff, review work progress, schedule work assignments, and review budget cost reports of CDM Smith.
- As-needed coordination and discussion with District staff on technical and policy issues.
- Prepare and update project schedule, as needed, showing key project tasks, milestone dates for draft and final deliverables, key meetings such as Board meetings for public hearing and plan adoption, and key regulatory dates such as the July 1, 2026, deadline for submittal of the UWMP to DWR.

Key Assumptions:

- The project will last 7 months, through end of July 2026.

Deliverable:

- Monthly progress reports and invoices; meeting notes as appropriate.

Task 10 – Additional Services

The purpose of this task is for CDM Smith to provide additional services beyond those described in Tasks 1 through 9, if requested by the District.

Approach:

- As needed, provide support to address issues related to the project that are not known at this time.

Key Assumptions:

- The additional services would only be conducted if authorized by the District's General Manager.

Deliverables:

- To be determined.

Compensation

Compensation will be on a time and materials basis according to the Attachment 1 – CDM Smith Billing Rate Schedule. The total cost for the 2025 Urban Water Management Plan is summarized below. Attachment 2 provides a summary of the costs by task. There are no subconsultants on this project.

Task	***Amount***
Task 1 – Agency Coordination and Public Participation	$20,819
Task 2 – Introduction and Service Area Characteristics	$5,453
Task 3 – Water Demands	$6,500
Task 4 – Water Supply Sources	$12,545
Task 5 – Water Supply Reliability	$9,178
Task 6 – Water Demand Management Measures	$3,275
Task 7 – Water Shortage Contingency Plan	$9,349
Task 8 – Report	$35,402
Task 9 – Project Management	$23,668
Total Basic Services for Tasks 1 through 9	***$126,189***
Contingency for Task 10 Additional Services (Estimated as 10% of the total basic services. Additional services to be undertaken only with prior authorization from District.)	$12,619
TOTAL	**$138,808**

Schedule

The Final UWMP must be submitted to DWR no later than July 1, 2026. Prior to submittal, the plan must undergo a public review process and be adopted by the District Board of Directors. A preliminary schedule of key milestone dates is shown below. This schedule assumes the public hearing on the Draft UWMP and the adoption hearing on the Final UWMP would take place at the separate Board meetings. As part of Task 9, a more detailed schedule will be prepared and provided to District staff after receiving Notice to Proceed.

Milestone	**Preliminary Dates**
Public notified of UWMP preparation	February 2026
Admin Draft for staff review	Early/mid March 2026
Board Update on UWMP results	April 22, 2026 Board Meeting
Draft UWMP for board/public review	Late April/early May 2026
Public Hearing	May 27, 2026 Board Meeting
Board Adoption of UWMP and WSCP	June 10, 2026 Board Meeting
Submittal to DWR	By July 1, 2026
Final UWMP available to the public	by July 24, 2026 (30 days after adoption)

Attachment 1
CDM Smith
2025 Urban Water Management Plan
Billing Rate Schedule

PROFESSIONAL AND SUPPORT SERVICES	HOURLY RATES
Vice President/Senior Vice President	$80.00 – 150.00
Principal, Associate & Engineer/Scientist/GIS Prof. (Grade 7 & 8)	$70.00 – 115.00
Senior Engineer/Scientist/GIS Prof. (Grade 6)	$60.00 – 85.00
Engineer/Scientist/GIS Prof. (Grade 4 & 5)	$40.00 – 65.00
Staff Engineer/Scientist/GIS Prof. (Grade 1, 2, & 3)	$35.00 – 50.00
Draftsperson/Designer, Graphic Artist	$45.00 – 80.00
Contract Administrator, Technical Editor	$35.00 – 70.00
Clerk, Technician	$20.00 – 45.00

Hourly rates will be multiplied by 3.10 for billing purposes.

The above is based on regular rates current at the time of execution of this Agreement. If the regular rates of the employee are increased during the life of this Agreement, billing and payment will be at the increased regular rates for the applicable period of time.

Other Direct Costs

Other reimbursable direct costs shall be billed at 1.05 times actual cost. These reimbursable costs include, but are not limited to:
Travel: Auto Rental, Local Mileage (current IRS limit)
Subsistence: Lodging and Meals
Communications: Long Distance and Cellular Telephone, Fax, Postage, Courier
Printing: Internal Reproduction; Outside Printing Services
Equipment Rental

Subcontractor Services
Should they be required, subcontractor services shall be billed at 1.10 times actual costs to cover the costs of general administrative services and handling.

DIABLO WATER DISTRICT
December 10, 2025 Board Meeting
Item Number 7

TO: Each Director

FROM: Jennifer McCoy, Finance & Accounting Manager

SUBJECT: Financial Reports.

Items included for discussion:

- Warrant Register Number:
  - 2025-11
  - ACH and Wire Transactions – November 2025

- Monthly Financial Statements
  - October 2025

RECOMMENDATION:

Approve warrant register 2025-11, ACH and wire transactions for November 2025 and monthly financial report for October 2025.

Jennifer McCoy

Jennifer McCoy
Finance & Accounting Manager

Attachments: Warrant Register 2025-11
ACH and Wire Transactions for November 2025
Monthly Financial Report for October 2025

Quality Integrity

DIABLO WATER DISTRICT

Warrant Register 2025 - 11

December 10, 2025

Check Numbers	Detail	Amount
November AP Checks 59271 - 59290	See Detail Check Register	31,252.42
November Utility Billing Refund Checks 59291 - 59317	See Detail Check Register	2,818.27
November AP Checks 59318 - 59363	See Detail Check Register	3,583,146.09
Payroll Direct Deposit Employees	November Payroll Direct Deposit	244,056.14
Payroll Checks 59364 - 59365	See Detail Check Register	6,725.14
TOTAL WARRANTS		3,867,998.06

The foregoing Accounts Payable Warrants 59271 through 59365, payroll for November 2025, Federal, State Income Taxes withheld and retirement are hereby approved for payment.

_____ General Manager

_____ Director

_____ Director

_____ Director

_____ Director

_____ Director

Signatures Required: General Manager and minimum of three (3) Directors

Check Register

Diablo Water District, CA

Packet: APPKT00958 - NOVEMBER 2025 WARRANTS 11-5-25 LP

By Check Number

Vendor Number	Vendor Name	Payment Date	Payment Type	Discount Amount	Payment Amount	Number
Bank Code: AP Bank -AP Bank						
AQUA	AQUA METRIC	11/06/2025	Regular	0.00	1,308.37	59271
AT&TUVRS	AT&T	11/06/2025	Regular	0.00	96.30	59272
BAVCO	BAVCO	11/06/2025	Regular	0.00	14,951.70	59273
BIGBLUMB	BIG "B" LUMBERTERIA INC	11/06/2025	Regular	0.00	72.27	59274
MILINA	CHERI MILINA	11/06/2025	Regular	0.00	431.59	59275
LINNCHCK	CHUCK LINN	11/06/2025	Regular	0.00	236.17	59276
CITYOAKL	CITY OF OAKLEY	11/06/2025	Regular	0.00	1,780.00	59277
BOWERS01	DANNY BOWERS	11/06/2025	Regular	0.00	236.17	59278
EAGLE01	EAGLE BUSINESS FORMS INC	11/06/2025	Regular	0.00	530.10	59279
LESSCHW1	LES SCHWAB TIRE CENTER	11/06/2025	Regular	0.00	496.93	59280
MCCAULEY	MCCAULEY AGRICULTURAL & PEST S	11/06/2025	Regular	0.00	300.00	59281
OAKDISP0	MT DIABLO	11/06/2025	Regular	0.00	760.35	59282
OKLYACE	OAKLEY ACE HARDWARE	11/06/2025	Regular	0.00	1,117.96	59283
	Void	11/06/2025	Regular	0.00	0.00	59284
SABRE1	SABRE BACKFLOW, INC	11/06/2025	Regular	0.00	330.60	59285
STAPLES	STAPLES CREDIT PLAN	11/06/2025	Regular	0.00	1,483.51	59286
STREAM	STREAMLINE	11/06/2025	Regular	0.00	3,287.67	59287
VIP CLEANING	VIP CLEANING SERVICE	11/06/2025	Regular	0.00	1,560.00	59288
WHITE CAP	WHITE CAP, L.P.	11/06/2025	Regular	0.00	727.37	59289
DALCANVS	WILLIAM DALE GRIFFIN	11/06/2025	Regular	0.00	1,545.36	59290

Bank Code AP Bank Summary

Payment Type	Payable Count	Payment Count	Discount	Payment
Regular Checks	25	19	0.00	31,252.42
Manual Checks	0	0	0.00	0.00
Voided Checks	0	1	0.00	0.00
Bank Drafts	0	0	0.00	0.00
EFT's	0	0	0.00	0.00
	25	**20**	**0.00**	**31,252.42**

Fund Summary

Fund	Name	Period	Amount
99	Pooled Cash	11/2025	31,252.42
			31,252.42

Diablo Water District, CA

Refund Check Register

Refund Check Detail

UBPKT07396 - November 2025 Refunds

Account	Name	Date	Check #	Amount	Code	Receipt	Amount	Type
012-04501-07	PETTIFER, SEBASTIAN	11/13/2025	59291	27.78			27.78	Refund
027-07866-05	TONG, YI	11/13/2025	59292	53.60			53.60	Refund
028-09661-03	KIKHIA, NAZIR	11/13/2025	59293	75.69			75.69	Refund
028-11054-07	TU, WEN WEI	11/13/2025	59294	95.95			95.95	Refund
099-08869-17	INC, UNDERGROUND CONSTRUCTION COI	11/13/2025	59295	655.30			655.30	Refund
103-00028-07	JOSHI, HITESH AND VATSALA	11/13/2025	59296	93.52			93.52	Refund
103-03082-05	CASTILLO, MARCIA	11/13/2025	59297	39.08			39.08	Refund
104-05953-06	AVILA, KAREN	11/13/2025	59298	112.86			112.86	Refund
106-00565-04	OROSCO, JORDAN	11/13/2025	59299	62.30			62.30	Refund
108-00208-04	BLACKARD, JESSICA	11/13/2025	59300	105.20			105.20	Refund
110-00064-10	VERDUZCO, ROGELIO	11/13/2025	59301	155.78			155.78	Refund
112-02227-05	EAKIN, ZILAIKHA	11/13/2025	59302	171.88			171.88	Refund
113-07471-03	TEEGALA, MANIK	11/13/2025	59303	68.89			68.89	Refund
114-06998-08	MCELROY, SPARKEL	11/13/2025	59304	70.48			70.48	Refund
116-07325-02	LLC, WH3	11/13/2025	59305	53.60			53.60	Refund
119-04482-05	CARDIFF, NICOLE RYAN	11/13/2025	59306	71.49			71.49	Refund
120-05798-00	BURGIS, DIANE	11/13/2025	59307	58.14			58.14	Refund
124-12857-00	MERITAGE HOMES OF CALIFORNIA INC	11/13/2025	59308	16.47			16.47	Refund
124-12864-00	MERITAGE HOMES OF CALIFORNIA INC	11/13/2025	59309	28.63			28.63	Refund
124-12871-00	MERITAGE HOMES OF CALIFORNIA INC	11/13/2025	59310	44.52			44.52	Refund
125-03177-10	JACKSON, KATRINA	11/13/2025	59311	110.14			110.14	Refund
126-09950-02	BASEER, ABDUL	11/13/2025	59312	54.33			54.33	Refund
127-08428-04	BEST PROPERTY MANAGEMENT INC	11/13/2025	59313	60.45			60.45	Refund
134-11468-05	LI, QIZHOU	11/13/2025	59314	64.19			64.19	Refund
137-11972-05	ARLAUD, KRISTINA AND BRYAN	11/13/2025	59315	181.40			181.40	Refund
137-12438-03	HUNTER, MICHELLE BEDFORD	11/13/2025	59316	142.16			142.16	Refund
139-13318-02	MARTINEZ, MARIO	11/13/2025	59317	144.44			144.44	Refund
Total Refunds: 27			**Total Refunded Amount:**	2,818.27				

Revenue Code Summary

Revenue Code	Amount
996 - Unapplied Credits	2818.27
Revenue Total:	2818.27

General Ledger Distribution

Posting Date: 11/13/2025

Account Number	Account Name	Posting Amount	IFT
Fund: 01 - General Operating			
01-00-109-000	Claim on Pooled Cash	-2,818.27	Yes
01-00-110-000	Accounts Receivable - Water Bills	2,818.27	
	01 Total:	0.00	
Fund: 99 - Pooled Cash			
99-00-100-000	Pooled Cash	-2,818.27	
99-00-209-000	Due To Other Funds	2,818.27	Yes
	99 Total:	0.00	
	Distribution Total:	0.00	

Check Register

Diablo Water District, CA

Packet: APPKT00964 - NOVEMBER 2025 WARRANTS 11-25-25

By Check Number

Vendor Number	Vendor Name	Payment Date	Payment Type	Discount Amount	Payment Amount	Number
Bank Code: AP Bank -AP Bank						
CCCEFCU0	1st NORTHERN CA	11/26/2025	Regular	0.00	3,500.00	59318
AANTEX01	AANTEX PEST CONTROL	11/26/2025	Regular	0.00	150.00	59319
ACCBUSINESS	ACC BUSINESS	11/26/2025	Regular	0.00	606.78	59320
ACWAHPIT	ACWA/JPIA	11/26/2025	Regular	0.00	69,789.99	59321
ALLBAY	ALL BAY ANSWERING SERVICE	11/26/2025	Regular	0.00	486.00	59322
ALTAMONT	ALTAMONT LANDSCAPE INC	11/26/2025	Regular	0.00	1,950.00	59323
AMAZON	AMAZON CAPITAL SERVICES	11/26/2025	Regular	0.00	481.47	59324
AT&T	AT&T	11/26/2025	Regular	0.00	216.94	59325
BRENTACE	BRENTWOOD ACE HARDWARE	11/26/2025	Regular	0.00	44.66	59326
BWAUTO01	BRENTWOOD AUTO PARTS INC	11/26/2025	Regular	0.00	699.88	59327
CAPITALONE	CAPITAL ONE PUBLIC FUNDING, LLC	11/26/2025	Regular	0.00	762,107.85	59328
CDM01	CDM SMITH	11/26/2025	Regular	0.00	31,314.74	59329
CITYANTIOCH	CITY OF ANTIOCH	11/26/2025	Regular	0.00	1,089.00	59330
CITYOFBW	CITY OF BRENTWOOD	11/26/2025	Regular	0.00	2,107.80	59331
COMCAST2	COMCAST	11/26/2025	Regular	0.00	236.71	59332
CCWD01	CONTRA COSTA WATER DIST	11/26/2025	Regular	0.00	1,692,912.18	59333
CCWD-RB	CONTRA COSTA WATER DIST	11/26/2025	Regular	0.00	239,664.36	59334
CORE&MAIN	CORE & MAIN	11/26/2025	Regular	0.00	294.26	59335
COMCOL01	CREDIT CONSULTING SER INC	11/26/2025	Regular	0.00	156.21	59336
DUBOIS	DUBOIS CHEMICALS INC	11/26/2025	Regular	0.00	932.64	59337
EAGLE01	EAGLE BUSINESS FORMS INC	11/26/2025	Regular	0.00	319.85	59338
EDUCATION	EDUCATION & TRAINING SERVICES	11/26/2025	Regular	0.00	1,098.00	59339
FIRSTAMERICAN	FIRST AMERICAN TITLE COMPANY	11/26/2025	Regular	0.00	270,000.00	59340
USABLUE	HD SUPPLY FACILITIES MAIN	11/26/2025	Regular	0.00	47.14	59341
INFOSEND	INFOSEND	11/26/2025	Regular	0.00	25,578.14	59342
IRONHOUS	IRONHOUSE SANITARY DIST.	11/26/2025	Regular	0.00	21,092.50	59343
LUHDORFF	LUHDORFF & SCALMANINI,	11/26/2025	Regular	0.00	157.50	59344
MCCAULEY	MCCAULEY AGRICULTURAL & PEST S	11/26/2025	Regular	0.00	300.00	59345
MILIBAND	MILIBAND WATER LAW	11/26/2025	Regular	0.00	13,725.00	59346
OAKDISP0	MT DIABLO	11/26/2025	Regular	0.00	274.40	59347
CONCENTR	OCCUPATIONAL HEALTH	11/26/2025	Regular	0.00	399.00	59348
PACG&E01	PACIFIC GAS & ELECTRIC CO	11/26/2025	Regular	0.00	29,783.66	59349
PURPOSE BUILT	PURPOSE BUILT TRADE CO	11/26/2025	Regular	0.00	1,060.00	59350
ROEBBELEN	ROEBBELEN CONTRACTING, INC	11/26/2025	Regular	0.00	191,984.48	59351
SONORAF	SONORA FORD	11/26/2025	Regular	0.00	175,144.19	59352
STANDINS	STANDARD INSURANCE CO	11/26/2025	Regular	0.00	3,846.53	59353
SUSTAINABLE	SUSTAINABLE CONTRA COSTA	11/26/2025	Regular	0.00	3,000.00	59354
TELSTAR1	TELSTAR INSTRUMENTS, INC	11/26/2025	Regular	0.00	12,909.00	59355
ULINE	ULINE	11/26/2025	Regular	0.00	6,904.68	59356
UNDERGROUND	UNDERGROUND REPUBLIC WATER V	11/26/2025	Regular	0.00	3,168.25	59357
PVS01	UNIVAR USA INC	11/26/2025	Regular	0.00	4,663.75	59358
VERIZON	VERIZON WIRELESS	11/26/2025	Regular	0.00	2,365.61	59359
VIKINGSHRED	VIKING SHRED	11/26/2025	Regular	0.00	63.99	59360
VISIONSR	VISION SERVICE PLAN	11/26/2025	Regular	0.00	756.61	59361
WATERSAV	WATERSAVERS IRRIGATION	11/26/2025	Regular	0.00	1,199.84	59362

Vendor Number	Vendor Name	Payment Date	Payment Type	Discount Amount	Payment Amount	Number
WEX BANK - CHEVRON	WEX BANK	11/26/2025	Regular	0.00	4,562.50	59363

Bank Code AP Bank Summary

Payment Type	Payable Count	Payment Count	Discount	Payment
Regular Checks	64	46	0.00	3,583,146.09
Manual Checks	0	0	0.00	0.00
Voided Checks	0	0	0.00	0.00
Bank Drafts	0	0	0.00	0.00
EFT's	0	0	0.00	0.00
	64	**46**	**0.00**	**3,583,146.09**

Fund Summary

Fund	Name	Period	Amount
99	Pooled Cash	11/2025	3,583,146.09
			3,583,146.09

Diablo Water District, CA

Payroll Check Register

Checks

Pay Period: 10/27/2025-11/26/2025

Packet: PYPKT00575 - NOVEMBER 2025 PAYROLL 11-26-25 LP
Payroll Set: Payroll Set 01 - 01

Employee	Employee #	Check Type	Date	Amount	Number
PADILLA, GINO L	P02	Regular	11/28/2025	6,647.79	59364
TIERNAN, MARILYN M	T57	Regular	11/28/2025	77.35	59365



Diablo Water District, CA

Payroll Check Register

Direct Deposits

Pay Period: 10/27/2025-11/26/2025

Packet: PYPKT00575 - NOVEMBER 2025 PAYROLL 11-26-25 LP
Payroll Set: Payroll Set 01 - 01

Employee	Employee #	Date	Amount	Number
ALVARADO, HECTOR A	A85	11/28/2025	692.22	1365
ALVARADO, HECTOR A	A85	11/28/2025	150.00	1365
ALVARADO, HECTOR A	A85	11/28/2025	6,080.00	1365
BIEGLER, DAMIEN	B00	11/28/2025	3,530.72	1366
BELLECI, CHRISTINE	B32	11/28/2025	11,690.94	1367
CRAWFORD, CHAD D	C09	11/28/2025	7,350.90	1368
COZART, LORI	C74	11/28/2025	1,603.62	1369
CARRANZA GUTIERREZ, EDUARDO	C93	11/28/2025	6,149.12	1370
DEJESUS, HUNTER J	D10	11/28/2025	9,555.89	1371
FORD, WILLOW	F01	11/28/2025	6,009.66	1372
FORD, WILLOW	F01	11/28/2025	200.00	1372
GONZALEZ, JORGE R	G17	11/28/2025	18,878.32	1373
GROOVER, MATTHEW J	G21	11/28/2025	6,921.61	1374
GONZALES, SOPHIA M	G91	11/28/2025	10,166.44	1375
HERRERA, JOHN P	H02	11/28/2025	7,384.28	1376
JOHNSON, ASHLEY	J92	11/28/2025	6,613.27	1377
KOVALICK, JOSEPH A	K01	11/28/2025	92.35	1378
KNIGHT, KATHLEEN MARIE	K24	11/28/2025	10,349.96	1379
McCOY, JENNIFER	L21	11/28/2025	14,811.85	1380
LIRA, MICHAEL	L28	11/28/2025	10,347.45	1381
LEYBA, SANDRA	L85	11/28/2025	8,904.00	1382
MENDOZA, ATANACIO	M20	11/28/2025	11,867.76	1383
MILINA, CHERI	M21	11/28/2025	9,048.47	1384
MUELRATH, DANIEL B	M22	11/28/2025	17,699.10	1385
MOATS, CONAN R	M74	11/28/2025	92.35	1386
PLOWMAN, SHELBY	P24	11/28/2025	5,728.93	1387
POSADA, LAUREN A	P89	11/28/2025	9,284.65	1388
BALESTERI, REBECCA	R20	11/28/2025	7,670.56	1389
ROMERO, LUIS J	R22	11/28/2025	10,138.05	1390
SEGER, PAUL S	S65	11/28/2025	92.35	1391
SHAW, JASON R	S74	11/28/2025	92.35	1392
VELAZQUEZ, CAMILO R	V01	11/28/2025	8,518.95	1393
WEAVER, WAYNE A	W27	11/28/2025	16,340.02	1394

Diablo Water District, CA

Payroll Check Register
Report Summary

Pay Period: 10/27/2025-11/26/2025

Packet: PYPKT00575 - NOVEMBER 2025 PAYROLL 11-26-25 LP
Payroll Set: Payroll Set 01 - 01

Type	Count	Amount
Regular Checks	2	6,725.14
Manual Checks	0	0.00
Reversals	0	0.00
Voided Checks	0	0.00
Direct Deposits	33	244,056.14
Total	**35**	**250,781.28**

DIABLO WATER DISTRICT

Banking Activity for November 2025

December 10, 2025

TRANSACTION TYPE	DATE	PAYABLE TO	DESCRIPTION	AMOUNT
Electronic Debit	11/03/25	State of Idaho	State of Idaho Withholding - October 2025 Payroll Deduction	568.00
Electronic Debit	11/03/25	Lincoln Financial	SIP 457 Deferred Comp - October 2025 Payroll Deductions	4,203.52
Electronic Debit	11/03/25	CalPERS	CalPERS Retirement Contributions - October 2025 Payroll	63,825.14
Electronic Debit	11/03/25	State EDD	State Withholding - October 2025 Payroll	17,562.75
Electronic Debit	11/03/25	CalPERS	SIP 457 Deferred Comp - October 2025 Payroll Deductions	7,709.92
Electronic Debit	11/03/25	Global Payments	Credit Card Processing Fees - Open Edge (October 2025)	19,510.51
Electronic Debit	11/05/25	Merchant Bankcard	Credit Card Processing Fees - Vantiv (October 2025)	49.44
Electronic Debit	11/25/25	US Bank	November 2025 Credit Card Payment	16,664.88
Electronic Debit	11/26/25	IRS	November 2025 Payroll Taxes (Fed/Medi/SS)	95,005.55
Electronic Debit	11/28/25	DWD Direct Deposit	Payroll November 2025 - Direct Deposit (See Warrant Reg)	244,056.14
		TOTAL ACTIVITY		469,155.85

The above Banking Transactions for November 2025 were given to the Board of Directors for their review as part of the December 10, 2025 Board Meeting.

Jennifer McCoy

Jennifer McCoy
Finance & Accounting Manager

12/1/2025
Date

DIABLO WATER DISTRICT
MONTHLY FINANCIAL REPORT
FOR PERIOD OCTOBER 1, 2025 TO OCTOBER 31, 2025

Balance as of September 30, 2025		***$21,416,448.45***
Receipts, October 2025		
Operating	2,114,809.80	
Non-Operating (MERA, Admin, Inspection & Eng Fees & Contract Services)	52,744.64	
Facilities Reserve	55,611.47	
Interest		
General	62,605.67	
MERA	3,865.89	
Facilities Reserve	42,198.09	
Investment activity (+ or -)	(10,029.37)	
Disbursements, October 2025		
Operating	(2,300,926.28)	
Facilities Reserve	(500,510.29)	
Quarterly Bank Analysis Charges	(1,871.02)	
Balance as of October 31, 2025		***$20,934,947.05***

FUNDS (as of close of business on October 31, 2025)			AMOUNT
District General Fund			8,761,825.58
Restricted funds			
2019 Series Held in Trust by US Bank			0.00
2022 Loan Project Funds - LAIF Account			302,840.85
Facilities Reserve (*AB-1600 Requirements*)			7,901,346.81
Designated Funds			
Rate Stabilization Fund (Target $1M)			1,000,000.00
Reserve Fund - Capital Reserve (Target $2M by 2027)			1,500,000.00
Reserve Fund - Emergency Reserve (Target $3M by 2033)			0.00
Main Extension Reimbursement (MERA)			745,794.50
Knightsen Well System (M25)			34,872.12
Willow Park Marnia Well System (M27)			39,496.84
Customer Deposits			384,405.00
Developer Admin, Inspection & Eng Deposit Totals			(333,092.40)
Current Active Projects	$	(301,305.70)	
Archived Projects	$	3,075.20	
Projects on Hold	$	(16,919.75)	
Project for Tracking Purposes Only	$	(19,202.05)	
Accidents Pending Collection	$	(1,286.54)	
Closing out Projects	$	2,546.44	
Subdivision #4990 Phase 3 Bond Deposit			300,000.00
51 Carol Lane Performance Bond			105,000.00
Cypress Self Storage Maintenance Bond			0.00
Substandard Street Deposit			
Future Relocation of Bethel Island Road Offsite Waterline			192,000.00
District's Portion of Investment			457.75
TOTAL			***$20,934,947.05***

DIABLO WATER DISTRICT
MONTHLY FINANCIAL REPORT
FOR PERIOD OCTOBER 1, 2025 TO OCTOBER 31, 2025

INVESTMENTS/BANK ACCOUNTS
(as of close of business on October 31, 2025)

INSTITUTION		PAR VALUE	RATE OF INTEREST	MARKET VALUE
California Local Agency Investment Fund	*		4.1500	11,178,855.18
BMO, General Checking Account	*			2,789,553.31
MBS RMB-028036 *Held Bank of New York* - Value with Interest Earnings				6,966,538.56
MD 11/03/25 61768E-2P-7 Morgan Stanley Private BK Natl Assn/CD		243,000.00	5.05	
MD 01/31/26 TSRYS4789820 United States Treasury Bills		2,710,000.00	4.07	
MD 05/14/26 06048W-L9-9 Bank Amer Corp Medium Term Rated AA- Callable 5/14/22**		200,000.00	1.40	
MD 09/14/26 146102BC1 Carter Bank & Trust Martinsville VA/CD		240,000.00	3.95	
MD 11/27/26 052392CC9 Austin Telco Fed Cr Un Tex Sc/CD		200,000.00	5.05	
MD 01/29/27 42869G-AA-4 Hickam Fed Cr Un Honolulu Hawaii SH/CD		220,000.00	4.40	
MD 02/26/27 560390-DB-9 Maine Community Bk Biddeford ME/CD		249,000.00	3.85	
MD 05/18/27 14042RRF0 Capital One Natl Assn Mclean VA/CD		230,000.00	3.20	
MD 07/12/27 898812-AP-7 Tucson Fed Cr Un Ariz SH CTF - Callable Monthly		151,000.00	4.00	
MD 09/27/27 02007G3R2 Ally BK Sandy Utah/CD		245,000.00	3.75	
MD 10/01/27 Goldman Sachs BK USA New York/CD		245,000.00	3.40	
MD 11/22/27 Workers Federal Credit Union Littleton/MA SH/CD		249,000.00	4.10	
MD 04/10/28 549104-H6-7 Luana Svgs Bk Iowa/CD		240,000.00	3.95	
MD 06/05/28 02589A-HK-1 American Express Natl BK Brokered Intl/CD		244,000.00	4.20	
MD 05/07/29 05584C-X3-5 BNY Mellon N A Instl/CD		245,000.00	3.85	
MD 04/22/30 3134HB-KE-0 Federal Home Ln Mtg Corp Rated AA+ Callable 1/22/26**		400,000.00	4.50	
MD 09/25/30 856288CZ6 State BK India New York N Y/CD		245,000.00	3.75	
MD 09/30/30 00435JBJ1 Access BaK Omaha NEB/CD		249,000.00	3.50	
Multibank Interest, Money Management Fund		148,244.45		
TOTAL				***$20,934,947.05***

* Demand Account

** Long-term ratings from Fitch

The monthly Financial Report is in compliance with the District's Investment Policy (Reg. 111).
It is expected that there are sufficient funds to meet anticipated expenses for the next 6 months.

ACRONYMS

ADMIN - Administration

BK - Bank

CD - Certificate of Deposit

ENG - Engineering

MBS - Multi-Bank Securities, Inc

MD - Maturity Date

MERA - Main Extension Reimbursement Account

Mtg - Meeting

RES - Reserve

DIABLO WATER DISTRICT
MONTHLY FINANCIAL REPORT
FOR PERIOD OCTOBER 1, 2025 TO OCTOBER 31, 2025

HELD IN TRUST BY DIABLO WATER DISTRICT
For Board of Directors Information Only
(as of close of business on October 31, 2025)

INSTITUTION	RATE OF INTEREST	MARKET VALUE
Lincoln National, Deferred Compensation (Quarterly)	Varies	1,513,746.99
CERBT Funds (Quarterly)	4.38% year/year	1,274,264.84
TOTAL		***$2,788,011.83***

Deferred Compensation (Lincoln National) is pre tax money that has been deposited by District employees into the District's 457 Deferred Compensation Plan. All monies in the plan are held in trust by the District for the exclusive benefit of each employee.

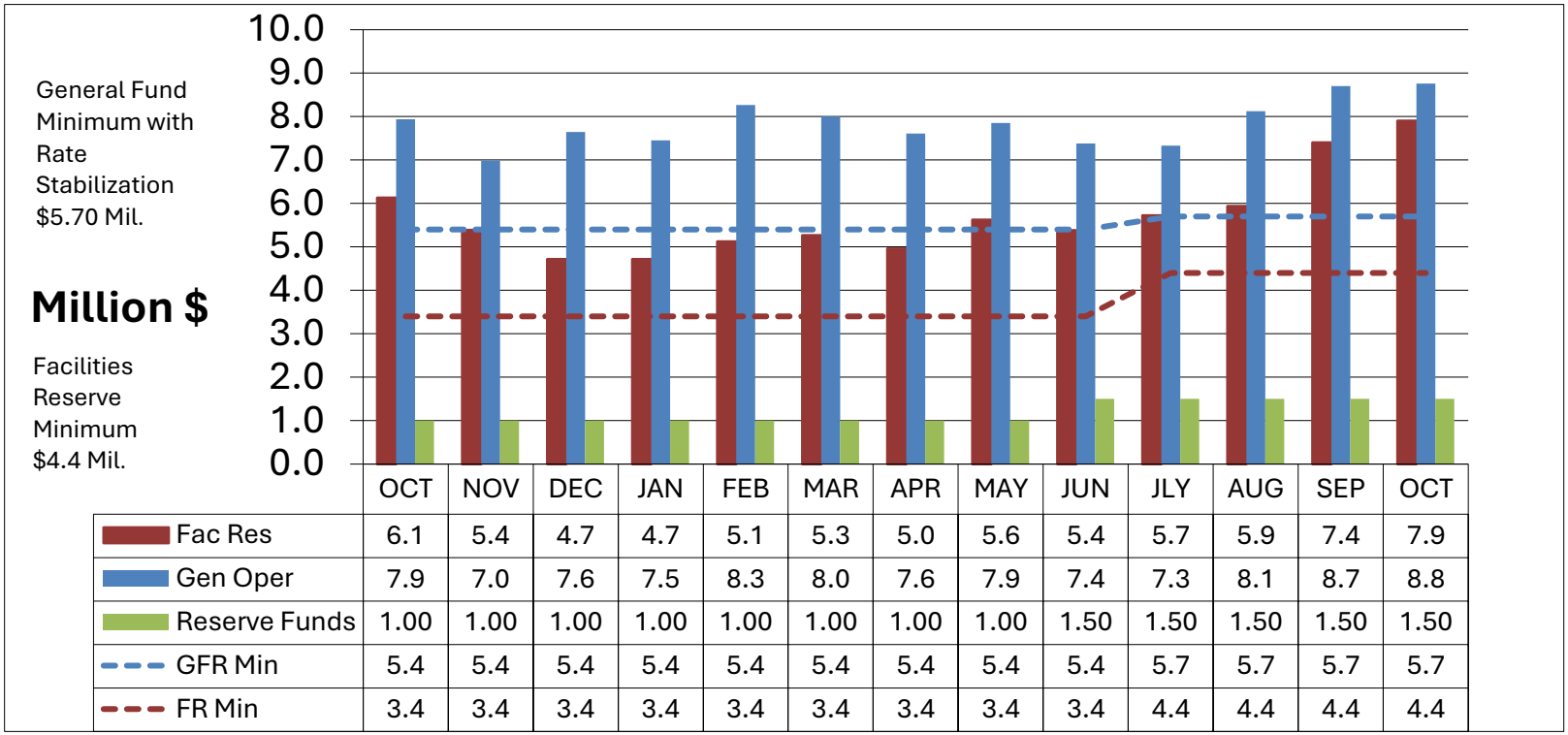
CERBT Funds - California Employers' Retiree Trust Fund is administered by CalPERS. The interest earned on the District's balance in this Trust Fund is used to pay the Diablo Water District portion of retiree medical benefit premiums. If requested by the District, CalPERS reimburses the District each July from the Trust Fund for the previous year's total cost of retiree medical benefit premiums.

COUNTY WELL FUND BALANCES

Knightsen (M25)	Expenses	Income	Total Fund Balance
FY 09/10	(10,755.47)	6,597.68	(28,780.40)
FY 10/11	(14,038.87)	6,436.27	(36,383.00)
FY 11/12	(12,396.89)	8,286.50	(40,493.39)
FY 12/13	(10,137.89)	8,883.84	(41,747.44)
FY 13/14	(6,200.51)	12,272.06	(35,675.89)
FY 14/15	(6,932.58)	15,655.41	(26,953.06)
FY 15/16	(8,416.99)	16,875.62	(18,494.43)
FY 16/17	(8,785.34)	17,273.74	(10,006.03)
FY 17/18	(7,922.88)	20,365.36	2,436.45
FY 18/19	(11,864.02)	17,841.20	8,413.63
FY 19/20	(9,223.40)	19,299.15	18,489.38
FY 20/21	(15,538.25)	16,817.08	19,768.21
FY 21/22	(11,441.81)	18,374.15	26,700.55
FY 22/23	(9,348.58)	20,744.48	38,096.45
FY 23/24	(16,602.60)	23,212.60	44,706.45
FY 24/25	(39,069.38)	23,078.60	28,715.67
FY 25/26 (as of Oct)	(3,928.12)	10,084.57	34,872.12

Willow Park (M27)	Expenses	Income	Total Fund Balance
FY 09/10	(18,061.81)	36,018.24	126,363.56
FY 10/11	(23,516.61)	36,036.01	138,882.96
FY 11/12	(24,035.34)	36,667.17	151,514.79
FY 12/13	(47,529.75)	34,738.68	138,723.72
FY 13/14	(49,171.53)	39,995.81	129,548.00
FY 14/15	(13,720.87)	40,031.50	155,858.63
FY 15/16	(15,238.28)	40,514.09	181,134.44
FY 16/17	(71,763.56)	40,811.23	150,182.11
FY 17/18	(127,061.18)	42,658.12	65,779.05
FY 18/19	(115,739.39)	44,305.39	(5,654.95)
FY 19/20	(36,613.13)	46,080.33	3,812.25
FY 20/21	(98,331.00)	48,344.04	(46,174.71)
FY 21/22	(35,917.18)	56,310.23	(25,781.66)
FY 22/23	(49,426.10)	67,652.30	(7,555.46)
FY 23/24	(50,687.06)	70,934.41	12,691.89
FY 24/25	(51,218.06)	81,817.89	43,291.72
FY 25/26 (as of Oct)	(8,407.44)	4,612.56	39,496.84

DIABLO WATER DISTRICT
FUNDS AVAILABLE 2025 - 2026



	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JLY	AUG	SEP	OCT
Fac Res	6.1	5.4	4.7	4.7	5.1	5.3	5.0	5.6	5.4	5.7	5.9	7.4	7.9
Gen Oper	7.9	7.0	7.6	7.5	8.3	8.0	7.6	7.9	7.4	7.3	8.1	8.7	8.8
Reserve Funds	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.50	1.50	1.50	1.50	1.50
GFR Min	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.7	5.7	5.7	5.7
FR Min	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	4.4	4.4	4.4	4.4

DIABLO WATER DISTRICT
December 10, 2025 Board Meeting
Item Number 8

TO: Each Director

FROM: Jennifer McCoy, Finance & Accounting Manager

SUBJECT: Acceptance of Annual Audit for Fiscal Year Ending June 30, 2025.

Attached is the audit report for the Fiscal Year ending June 30, 2025. A representative from the District's auditing firm, MUN CPAs, will be in attendance via phone to present the Audit Report and answer any questions the Board may have. Attached are two letters from the Auditors; one is a letter to Management regarding Internal Controls; the second is the Auditing Standards - SAS 114 Conclusion Letter.

The portion of the report that is most important to Management is the Schedule of Cash and Investments Available for Operations on page 51 of the Financial Statements. About halfway down the page shows a developer and connection fee fund balance of $5,384,757. It also shows a Rate Stabilization Fund balance of $1,000,000, a Capital Reserve Fund balance of $1,500,000, and Cash and Investments available for operations of $7,819,865. However, $1,507,000 of this is designated for capital projects, solar, and building the new Corporation Yard and is held in our LAIF account. This schedule shows Management that the District remains financially stable.

RECOMMENDATION:

Accept the audit report.

Jennifer McCoy

Jennifer McCoy
Finance & Accounting Manager

Attachments: Diablo Water District 6-30-2025 Financial Statements
Internal Controls Management Letter 2025
SAS 114 Conclusion Letter 2025
Presentation from Auditing Firm – MUN CPAs

Integrity



DIABLO WATER DISTRICT
ANNUAL FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEARS ENDED
JUNE 30, 2025 AND 2024

MUN CPAs, LLP
1760 CREEKSIDE OAKS DRIVE, SUITE 160
SACRAMENTO, CALIFORNIA 95833

DIABLO WATER DISTRICT

For the Year Ended June 30, 2025

BOARD OF DIRECTORS

Marilyn Tiernan	**President**
Jason Shaw	**Vice President**
Paul Seger	**Director**
Joe Kovalick	**Director**
Conan Moats	**Director**
Dan Muelrath	**General Manager**
Wesley A. Miliband	**General Counsel**
Kait Knight	**Board Secretary**

DIABLO WATER DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

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DIABLO WATER DISTRICT
Acronyms and Abbreviations Used in the Annual Financial Report
For the Years Ended June 30, 2025 and 2024

In order to facilitate the understanding of the audit report, the following list of acronyms and abbreviations are listed below.

a.k.a.	Also Known As
AB	Assembly Bill
ACWA/JPIA	Association of California Water Agencies/ Joint-Powers Insurance Authority
ARC	Annual Required Contribution
CalPERS	California Public Employee's Retirement System
CAMP	California Asset Management Program
CCCERA	Contra Costa County Employee's Retirement System
CCWA	Contra Costa Water Authority
CCWD	Contra Costa Water District
CERBT	California Employer's Retiree Benefit Trust
COLA	Cost of Living Adjustment
COPs	Certificates-of-Participation
DVP	Delivery - versus - Payment
EARSL	Employees Average Remaining Service Lifetime
FDIC	Federal Deposit Insurance Corporation
FNP	Fiduciary Net Position
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASB	Government Accounting Standards Board
HMO	Health Maintenance Organization
IBNR	Incurred But Not Reported
LAIF	Local Agency Investment Fund
MD&A	Management's Discussion & Analysis
MERA	Main Extension Reimbursement Account
No.	Number
NOL	Net OPEB Liability
NPL	Net Pension Liability
OAD	Oakley Assessment District
OPEB	Other Post-Employment Benefits
PEPRA	Public Employee's Pension Reform Act
PERF C	Public Agency Cost-Sharing Multiple-Employer Plan
PERL	Public Employee's Retirement Law
PPO	Preferred Provider Organization
SBITA	Subscription-Based Information Technology Arrangement
TPL	Total Pension Liability
U.S.	United States
UAAL	Unfunded Actuarial Accrued Liability

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Diablo Water District
Oakley, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Diablo Water District (the "District") as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Diablo Water District, as of June 30, 2025 and 2024, and the respective changes in financial position and, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Diablo Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Change in Accounting Principle

As described in Notes 1 and 6 to the financial statements, during the fiscal year ending June 30, 2025, the District adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 and the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of Contributions to the Cost Sharing Defined Benefit Pension Plan, the Schedule of Changes in the Net OPEB Liability and Related Ratios, and the Schedule of Contributions to the OPEB Plan on pages 40 - 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Diablo Water District's basic financial statements. The Schedules of Cash and Investments Available for Operations and Schedules of Debt Service Net Revenues Coverage on pages and 52, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Cash and Investments Available for Operations and Schedules of Debt Service Net Revenue Coverage are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Cash and Investments Available for Operations and Schedules of Debt Service Net Revenue Coverage are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2025, on our consideration of Diablo Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Diablo Water District's internal control over financial reporting and compliance.

MUN CPAs, LLP

Sacramento, California
November 20, 2025

DIABLO WATER DISTRICT
Management's Discussion and Analysis
For the Years Ended June 30, 2025 and 2024

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of Diablo Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2025 and 2024. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights for 2025

- In 2025, the District's net position increased 4.94% or $3,532,318 from the prior year's net position of $71,489,928 to $75,022,246 as a result of this year's operations.

- In 2025, operating revenues increased by 31.09% or $4,736,934 from $15,236,114 to $19,973,048, from the prior year, primarily due to an increase in total water sales of $4,678,356. Water sales increased from the prior year due to the annual rate increase that went into effect in July 2024. This rate increase is primarily due to the accumulated cost of inflation and passing through the increased cost of purchasing water from CCWD.

- In 2025, operating expenses before depreciation expense increased by 14.84% or $2,393,453 from $16,125,908 to $18,519,361, from the prior year, primarily due to increases in water treatment plant expenses of $81,841, customer service expenses of $203,801, administrative expenses of $1,147,342 and transmission/distribution expenses of $101,869. These increases are primarily due to the cost of inflation related items such as energy costs, insurance premiums, permits, water purchases and operation costs at CCWD, labor and material costs.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "*Is the District better off or worse off as a result of this year's activities*?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question.

These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. You can think of the District's net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Condensed Statement of Net Position

	June 30, 2025	June 30, 2024	Change	June 30, 2023	Change
Assets:					
Current assets	$ 13,041,946	$ 12,482,976	$ 558,970	$ 14,957,235	$ (2,474,259)
Non-current assets	6,706,874	7,616,693	(909,819)	10,196,826	(2,580,133)
Capital assets, net	79,436,443	76,324,251	3,112,192	72,766,924	3,557,327
Total assets	99,185,263	96,423,920	2,761,343	97,920,985	(1,497,065)
Deferred outflows of resources	2,603,867	2,994,560	(390,693)	2,859,789	134,771
Total assets and deferred outflows of resources	$ 101,789,130	$ 99,418,480	$ 2,370,650	$ 100,780,774	$ (1,362,294)
Liabilities:					
Current liabilities	$ 3,680,321	$ 3,879,949	$ (199,628)	$ 3,695,446	$ 184,503
Non-current liabilities	21,339,678	22,265,766	(926,088)	22,751,522	(485,756)
Total liabilities	25,019,999	26,145,715	(1,125,716)	26,446,968	(301,253)
Deferred inflows of resources	1,746,885	1,782,837	(35,952)	2,025,550	(242,713)
Net position:					
Net investment in capital assets	64,483,478	62,652,133	1,831,345	61,657,923	994,210
Restricted	5,384,757	6,285,325	(900,568)	8,740,823	(2,455,498)
Unrestricted	5,154,011	2,552,470	2,601,541	1,909,510	642,960
Total net position	75,022,246	71,489,928	3,532,318	72,308,256	(818,328)
Total liabilities, deferred inflows of resources and net position	$ 101,789,130	$ 99,418,480	$ 2,370,650	$ 100,780,774	$ (1,362,294)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by $75,022,246 and $71,489,928 as of June 30, 2025 and 2024, respectively.

By far the largest portion of the District's net position (86% as of June 30, 2025 and 88% as of June 30, 2024) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending.

At the end of fiscal years 2025 and 2024, the District showed a positive balance in its unrestricted net position of $5,154,011 and $2,552,470, respectively, which may be utilized in future years.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	June 30, 2025	June 30, 2024	Change	June 30, 2023	Change
Operating revenues	$ 19,973,048	$ 15,236,114	$ 4,736,934	$ 14,390,909	$ 845,205
Operating expenses	(18,519,361)	(16,125,908)	(2,393,453)	(14,875,541)	(1,250,367)
Operating income (loss) before depreciation	1,453,687	(889,794)	2,343,481	(484,632)	(405,162)
Depreciation expense	(2,526,456)	(2,472,175)	(54,281)	(2,442,468)	(29,707)
Operating income (loss)	(1,072,769)	(3,361,969)	2,289,200	(2,927,100)	(434,869)
Non-operating revenues (expenses)	379,581	1,027,607	(648,026)	1,159,885	(132,278)
Net loss before capital contributions	(693,188)	(2,334,362)	1,641,174	(1,767,215)	(567,147)
Capital contributions	4,225,506	1,516,034	2,709,472	3,803,748	(2,287,714)
Change in net position	3,532,318	(818,328)	4,350,646	2,036,533	(2,854,861)
Net position:					
Beginning of year (includes adjustment)	71,489,928	72,308,256	(818,328)	70,271,723	2,036,533
End of year	$ 75,022,246	$ 71,489,928	$ 3,532,318	$ 72,308,256	$ (818,328)

The statement of revenues, expenses and changes in net position shows how the District's net position changed during the fiscal years. In the case of the District, the District's net position increased by $3,532,318 and decreased by $818,328 for the fiscal years ended June 30, 2025 and 2024, respectively.

Total Revenues

	June 30, 2025	June 30, 2024	Change	June 30, 2023	Change
Operating revenues:					
Water sales - residential and business	$ 18,754,238	$ 14,272,953	$ 4,481,285	$ 13,376,006	$ 896,947
Water sales - other	504,630	307,559	197,071	368,622	(61,063)
Other charges for services	714,180	655,602	58,578	646,281	9,321
Total operating revenues	$ 19,973,048	$ 15,236,114	$ 4,736,934	$ 14,390,909	$ 845,205
Non-operating:					
Investment (loss) gain	707,781	1,043,114	(335,333)	389,038	654,076
Lease revenue	175,034	169,435	5,599	169,435	-
Other non-operating revenues	241,615	322,701	(81,086)	1,298,880	(976,179)
Total non-operating revenues	1,124,430	1,535,250	(410,820)	1,857,353	(322,103)
Total revenues	$ 21,097,478	$ 16,771,364	$ 4,326,114	$ 16,248,262	$ 523,102

In 2025, operating revenues increased by 31.09% or $4,736,934 from $15,236,114 to $19,973,048, from the prior year, primarily due to a increase in water sales of $4,678,356. Water sales increased from the prior year due to the annual rate increase that went into effect in July 2024. This rate increase is primarily due to the accumulated cost of inflation and passing through the increased cost of purchasing water from CCWD.

In 2024, operating revenues increased by 5.87% or $845,205 from $14,390,909 to $15,236,114, from the prior year, primarily due to a increase in water sales of $835,884. Water sales increased from the prior year due to the annual rate increase that went into effect in March 2024. This rate increase is primarily due to the cost of inflation and passing through the increased cost of purchasing water from CCWD.

Total Expenses

	June 30, 2025	June 30, 2024	Change	June 30, 2023	Change
Operating expenses:					
Source of supply - water purchases	$ 5,904,542	$ 5,357,836	$ 546,706	$ 5,469,681	$ (111,845)
Water treatment - Randall-Bold water treatment	2,821,682	2,739,841	81,841	2,105,829	634,012
Well expenses	87,295	41,432	45,863	413,275	(371,843)
Maintenance	870,716	604,685	266,031	491,879	112,806
Transmission and distribution	2,729,103	2,627,234	101,869	2,465,026	162,208
Customer service	2,078,113	1,874,312	203,801	1,467,139	407,173
Administrative and general	4,027,910	2,880,568	1,147,342	2,462,712	417,856
Operating expenses before depreciation	18,519,361	16,125,908	2,393,453	14,875,541	1,250,367
Depreciation expense	2,526,456	2,472,175	54,281	2,442,468	29,707
Total operating expenses	21,045,817	18,598,083	2,447,734	17,318,009	1,280,074
Non-operating expenses:					
Interest and amortization expense	744,849	507,643	237,206	697,468	(189,825)
Total non-operating	744,849	507,643	237,206	697,468	(189,825)
Total expenses	$ 21,790,666	$ 19,105,726	$ 2,684,940	$ 18,015,477	$ 1,090,249

In 2025, operating expenses before depreciation expense increased by 14.84% or $2,393,453 from $16,125,908 to $18,519,361, from the prior year, primarily due to increases in water treatment plant expenses of $81,841, customer service expenses of $203,801, administrative expenses of $1,147,342 and transmission/distribution expenses of $101,869. These increases are primarily due to the cost of inflation related items such as energy costs, insurance premiums, permits, water purchases and operation costs at CCWD, labor and material costs.

In 2024, operating expenses before depreciation expense increased by 8.41% or $1,250,367 from $14,875,541 to $16,125,908, from the prior year, primarily due to increases in water treatment plant expenses of $634,012, customer service expenses of $407,173, administrative expenses of $417,856 and transmission/distribution expenses of $162,208. Expenses increased due to adding full-time employees to the District, Randall Bold Treatment Plant operation costs, as well as the cost of inflation on items such as energy costs and processing fees.

Capital Asset Administration

	June 30, 2025	June 30, 2024	June 30, 2023
Capital assets:			
Non-depreciable assets	$ 14,015,934	$ 12,024,312	$ 7,470,219
Depreciable assets	109,804,128	106,216,079	104,730,280
Accumulated depreciation	(44,383,619)	(41,916,140)	(39,595,039)
Total capital assets, net	$ 79,436,443	$ 76,324,251	$ 72,605,460

At the end of fiscal year 2025 and 2024, the District's investment in capital assets amounted to $79,436,443 and $76,324,251 (net of accumulated depreciation), respectively. Major capital asset additions during the year amounted to $5,638,932 and $6,029,502 for various projects and equipment. See Note 3 for further information.

Debt Administration

The long-term debt position of the District is summarized below:

	June 30, 2025	June 30, 2024	June 30, 2023
Long-term debt:			
Certificates-of-participation	$ 7,272,308	$ 7,737,560	$ 8,193,855
Loans payable	9,177,000	9,751,000	10,309,000
Total long-term debt	$ 16,449,308	$ 17,488,560	$ 18,502,855

Structured long-term debt items decreased by $1,039,252 for the fiscal year ended June 30, 2025, due to regular principal payments on the District's structured long-term debt items. See Note 7 for further information.

Structured long-term debt items decreased by $1,014,295 for the fiscal year ended June 30, 2024, due to regular principal payments on the District's structured long-term debt items as well as a new loan agreement. See Note 7 for further information.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Economic Conditions

Post-pandemic inflation has largely stabilized, contributing to a more predictable and steadier economic environment for the District. The East Contra Costa County region continues to experience strong population and development growth (new homes), driven in part by comparatively more affordable housing relative to the greater Bay Area. This sustained growth of new connections helps create a stable customer base and ongoing demand for reliable water service. While cost pressures for energy, water treatment inputs, and materials remain elevated compared to pre-pandemic levels, the District's long-term financial planning and prudent rate-setting practices help ensure continued fiscal stability. Management will continue monitoring regional economic conditions and regulatory requirements to support the District's ability to meet current and future service and regulatory needs.

Requests for Information

This financial report is designed to provide the District's ratepayers and creditors with a general overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact Diablo Water District, Finance Department, at P.O. Box 127, Oakley, CA 94561 or (925) 625-3798.

DIABLO WATER DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2025 AND 2024

	2025	2024
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	$ 4,131,187	$ 2,768,109
Investments (Note 2)	7,617,043	8,602,871
Accrued interest receivable	95,736	106,778
Accounts receivable - customers (Note 4)	746,520	564,712
Due from governmental agencies (Note 4)	-	3,510
Other receivables (Note 4)	5,948	5,328
Leases receivable - current (Note 5)	130,963	124,635
Prepaid expenses and other assets	314,549	307,033
Total current assets	13,041,946	12,482,976
Non-current assets		
Restricted - investments (Note 2)	5,384,757	6,285,325
Capital assets - not being depreciated (Note 3)	14,015,934	12,024,312
Capital assets - being depreciated (net of accumulated depreciation) (Note 3)	65,420,509	64,299,939
Leases receivable - long-term (Note 5)	1,322,117	1,331,368
Total non-current assets	86,143,317	83,940,944
TOTAL ASSETS	99,185,263	96,423,920
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to county pension plan termination liability (Note 8)	347,479	376,435
Deferred amounts related to net OPEB liability (Note 10)	712,955	871,613
Deferred amounts related to net pension liability (Note 9)	1,543,433	1,746,512
Total deferred outflows of resources	2,603,867	2,994,560
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 101,789,130	$ 99,418,480

The accompanying notes are an integral part of the financial statements.

DIABLO WATER DISTRICT
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2025 AND 2024

LIABILITIES	**2025**	**2024**
Current liabilities		
Accounts payable and accrued expenses	$ 942,581	$ 1,351,347
Main extension reimbursement payable (Note 15)	591,044	561,941
Deposits and unearned revenue	794,972	800,484
Current portion of long-term liabilities:		
Compensated absences (Note 6)	251,880	96,226
Certificates-of-participation (Note 7)	450,000	435,000
Loans payable (Note 7)	595,000	574,000
Subscription (SBITA) liability (Note 7)	10,657	19,558
County pension plan termination liability (Note 8)	44,187	41,393
Total current liabilities	3,680,321	3,879,949
Noncurrent liabilities		
Long-term liabilities - due in more than one year:		
Compensated absences (Note 6)	251,880	91,909
Certificates-of-participation (Note 7)	6,822,308	7,302,560
Loans payable (Note 7)	8,582,000	9,177,000
County pension plan termination liability (Note 8)	734,728	778,915
Net pension liability (Note 9)	3,468,267	3,503,850
Net OPEB liability (Note 10)	1,480,495	1,411,532
Total noncurrent liabilities	21,339,678	22,265,766
TOTAL LIABILITIES	25,019,999	26,145,715
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to net OPEB liability (Note 10)	534,976	517,993
Deferred amounts related to net pension liability (Note 9)	18,694	44,962
Deferred amounts related to leases receivable (Note 5)	1,193,215	1,219,882
Total deferred inflows of resources	1,746,885	1,782,837
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	26,766,884	27,928,552
NET POSITION		
Net investment in capital assets (Note 11)	64,483,478	62,652,133
Restricted (Note 12)	5,384,757	6,285,325
Unrestricted	5,154,011	2,552,470
Total net position	75,022,246	71,489,928
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	$ 101,789,130	$ 99,418,480

The accompanying notes are an integral part of the financial statements.

DIABLO WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
OPERATING REVENUE		
Water sales - residential and business	$ 18,754,238	$ 14,272,953
Water sales - other	504,630	307,559
Other charges for services and miscellaneous operating revenues	714,180	655,602
Total operating revenue	19,973,048	15,236,114
OPERATING EXPENSES		
Source of supply - water purchases	5,904,542	5,357,836
Water treatment - Randall-Bold water treatment plant	2,821,682	2,739,841
Well expenses	87,295	41,432
Maintenance	870,716	604,685
Transmission and distribution	2,729,103	2,627,234
Customer service	2,078,113	1,874,312
Administrative, capital, and general	4,027,910	2,880,568
Total operating expenses	18,519,361	16,125,908
Operating income (loss) before depreciation expense	1,453,687	(889,794)
Depreciation/amortization expense	(2,526,456)	(2,472,175)
OPERATING LOSS	(1,072,769)	(3,361,969)
NON-OPERATING REVENUES (EXPENSES)		
Investment gain	707,781	1,043,114
Lease revenue	175,034	169,435
Aid from governmental agencies	37,791	79,132
Interest expense	(744,849)	(507,643)
Gain on sale of capital assets	7,653	-
Other non-operating revenues	196,171	243,569
Total non-operating revenues (expenses)	379,581	1,027,607
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(693,188)	(2,334,362)
CAPITAL CONTRIBUTIONS		
Developer and connection fees	2,117,506	1,516,034
Developer capital contributions	2,108,000	-
TOTAL CAPITAL CONTRIBUTIONS	4,225,506	1,516,034
CHANGE IN NET POSITION	3,532,318	(818,328)
TOTAL NET POSITION, BEGINNING OF YEAR	71,489,928	72,308,256
TOTAL NET POSITION, END OF YEAR	$ 75,022,246	$ 71,489,928

The accompanying notes are an integral part of the financial statements.

DIABLO WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 19,791,541	$ 15,442,130
Payments to employees for salaries and wages	(5,811,883)	(4,973,192)
Payments to suppliers for goods and services	(12,432,304)	(10,855,685)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	1,547,354	(386,747)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from developer and connection fees	2,117,506	1,516,034
Acquisition and construction of capital assets	(3,532,186)	(6,029,502)
Proceeds from the disposition of capital assets	7,935	-
Other revenue	196,171	243,569
Grant revenue for capital purposes	37,791	79,132
Principal paid on long-term debt	(1,039,252)	(1,100,883)
Interest paid on long-term debt	(744,849)	(507,643)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(2,956,884)	(5,799,293)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	707,781	1,054,569
Purchase of investments	(3,191,603)	(3,096,000)
Sale of investments	5,081,396	8,786,513
Rents received	175,034	169,435
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,772,608	6,914,517
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,363,078	728,477
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,768,109	2,039,632
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,131,187	$ 2,768,109

The accompanying notes are an integral part of the financial statements.

DIABLO WATER DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	$ (1,072,769)	$ (3,361,969)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation/amortization	2,526,456	2,472,175
(Increase) decrease in assets:		
Accounts receivable - customers	(178,885)	147,879
Due from governmental agencies	3,510	-
Other receivables	(620)	(3,793)
Prepaid expenses	(7,515)	(63,185)
(Increase) decrease in deferred outflows of resources:		
Deferred amounts related to OPEB liability	158,658	(16,488)
Deferred amounts related to net pension liability	203,079	(147,239)
Deferred amounts related to county pension plan termination liability	28,956	28,956
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(408,766)	184,179
Main extension reimbursement payable	29,102	20,235
Deposits and unearned revenue	(5,512)	61,930
Compensated absences	315,625	(26,775)
County pension plan termination liability	(41,393)	(38,776)
Net OPEB liability	68,963	247,411
Net pension liability	(35,583)	351,426
Increase (decrease) in deferred inflows of resources:		
Deferred amounts related to net pension liability	(26,268)	(29,312)
Deferred amounts related to lease revenue	(26,667)	(169,435)
Deferred amounts related to net OPEB liability	16,983	(43,966)
TOTAL ADJUSTMENTS	2,620,123	2,975,222
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 1,547,354	$ (386,747)
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Developer capital contributions	$ 2,108,000	$ -
Total non-cash investing, capital, and financing activities	$ 2,108,000	$ -

The accompanying notes are an integral part of the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Diablo Water District (the "District") was formed and exists under, and by virtue of, the County Water District Law of the State of California, Division 12 of the Water Code (§§30000-33901). The District is governed by a Board of Directors consisting of five members, one of whom is annually elected President. The General Manager – Secretary is appointed by the Board pursuant to §30540 of the Water Code. Diablo Water District changed its name from Oakley Water District on May 1, 1993. The District's revenue is generated by direct collection of water usage charges from approximately 13,925 households and businesses located within the District's service area.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The District had no component units as of June 30, 2025 and 2024.

B. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

C. Basis of Presentation

Diablo Water District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the accepted standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position displays information about the reporting district as a whole. It includes the activities of the overall District. Eliminations have been made to minimize the double counting of internal activities. The District's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities. Business-type activities are generally financed in whole or in part by fees charged to external parties for goods or services.

The District consists of one proprietary fund. The fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses.

D. Measurement of Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenses are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

Measurement Focus

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position, are presented using the economic resources measurement focus as defined below.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with the operation of these funds are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position, business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset used. The District has elected to recognize water sales based on an accepted industry practice which uses billing cycles rather than actual usage dates to determine timing of revenue recognition. Management has determined this method approximates the full accrual method and any differences are not material to the financial statements on a year-to-year basis. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Those revenues susceptible to accrual include taxes, intergovernmental revenues, interest and charges for services.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal operations. The principal operating revenue of the District's fund are water charges to customers. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value.

F. Investments

Investments are reported at fair value. Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statement of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

> **Level 1** – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
>
> **Level 2** – Inputs, other than quoted prices included in Level 1 that are observable for the assets or liabilities through corroboration with market data at the measurement date.
>
> **Level 3** – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

G. Restricted Assets

Restricted assets are cash and cash equivalents and investments whose use is limited by legal and debt covenant requirements such as debt payment, reserve balance maintenance and developer impact fees.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Receivables

Receivables consist of all revenues earned at year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts, if applicable. Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations. The District reports water charges as their major receivables.

The District utilizes the allowance method with respect to its accounts receivable. As of June 30, 2025 and 2024, there was no allowance for uncollectible accounts.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

J. Capital Assets

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost is not available. Donated capital assets are valued at their estimated acquisition value on the date donated. The District policy has set the capitalization threshold for reporting capital assets at $5,000, all of which must have an estimated useful life in excess of three years. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Randall-Bold water treatment plant	25 to 75 years
Infrastructure	25 to 75 years
Building and structures	50 years
Transmission and distribution system	5 to 50 years
General plant	5 to 50 years
Office equipment	3 to 5 years
Intangible right-to-use software agreements	3 to 5 years

Major outlays for capital assets are capitalized as construction in progress, once constructed, and repairs and maintenance costs are expensed.

K. Compensated Absence

The District's personnel policies provide for accumulation of vacation leave and compensatory time off. Liabilities for vacation leave and compensatory time off are recorded when benefits are earned. Full cash payment for all unused vacation leave is available to employees upon retirement or termination. Accrued and unused sick leave may be carried over to, and used during, subsequent years. Upon retirement, employees may convert unused sick leave to credited service time in accordance with the provisions of the District's retirement plan with the California Public Employee Retirement System (CalPERS). A portion of sick leave is accrued per the requirements of GASB 101. The liability for compensated absences is recorded as a long-term liability in the financial statements, with the current portion of the liability recorded based on historical trends.

L. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Pensions

For the purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Diablo Water District's California Public Employees' Retirement System (CalPERS) plan (the Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CalPERS	June 30, 2025	June 30, 2024
Valuation date	June 30, 2023	June 30, 2022
Measurement date	June 30, 2024	June 30, 2023
Measurement period	July 1, 2023 to June 30, 2024	July 1, 2022 to June 30, 2023

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

N. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles required that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

	June 30, 2025	June 30, 2024
Valuation Date	June 30, 2023	June 30, 2022
Measurement Date	June 30, 2024	June 30, 2023
Measurement Period	July 1, 2023 to June 30, 2024	July 1, 2022 to June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Net Position

Net position represents the difference between all other elements in the statement of net position and is displayed in the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position is restricted when restraints are imposed by third parties or by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

P. Contributed Capital

Capital contributions represent cash and capital asset additions contributed to the District by outside parties.

Q. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted by the Board of Directors for the general budget, which includes operations, maintenance and administration, and construction.

R. Implementation of Government Accounting Standards Board Statements

Effective July 1, 2024, the District implemented the following accounting and financial reporting standards:

Governmental Accounting Standards Board Statement No. 101

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and amending certain previously required disclosures. The District adopted this accounting guidance for its June 30, 2025 year-end.

Governmental Accounting Standards Board Statement No. 102

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. A *concentration* is defined as a lack of diversity to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. The District adopted this accounting guidance for its June 30, 2025 year-end. The District evaluated the criteria and determined no disclosures were required.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2025 or later and may be applicable for the District. However, the District has not determined what impact, if any, these pronouncements will have on the financial statements.

Government Accounting Standards Board Statement No. 103

In April 2024, GASB issued Statement No. 103, Financial Reporting Model Improvements. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this statement are effective for the District's fiscal year ending June 30, 2026.

Governmental Accounting Standards Board Statement No. 104

In September 2024, GASB issued Statement No, 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34 and also requires additional disclosures for capital assets held for sale. The requirements of this statement are effective for the District's fiscal year ending June 30, 2026.

T. Leases

Lessor

The District is a lessor for a noncancellable leases of office space and cellular sites. The District recognizes leases receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease terms, and (3) lease receipts.

- The District uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Subscription-Based Information Technology Arrangements (SBITA)

A SBITA is defined as a contractual agreement that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction.

The District uses various SBITA assets that it contracts through cloud computing arrangements, such as software as a service and platform as a service. The related obligations are presented in amounts equal to the present value of subscription payments, payable during the remaining SBITA term. SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term debt on the statement of net position.

V. Reclassification

Certain reclassifications may have been made to prior year amounts in order to be consistent with current year's presentation.

NOTE 2: CASH AND INVESTMENTS

Cash and investments are reported in the accompanying financial statements as of June 30, 2025 and 2024 as follows:

Description	2025	2024
Cash and cash equivalents	$ 4,131,187	$ 2,768,109
Investments	7,617,043	8,602,871
Restricted - investments	5,384,757	6,285,325
Total	$ 17,132,987	$ 17,656,305

Cash and investments were carried at fair value as of June 30, 2025 and 2024 and consisted of the following:

Description	2025	2024
Cash on hand	$ 2,675	$ 2,675
Deposits held with financial institutions	4,128,512	2,765,434
Investments	13,001,800	14,888,196
Total cash and investments	$ 17,132,987	$ 17,656,305

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

A. Demand Deposits

At June 30, 2025 and 2024, the carrying amounts of the District's demand deposits were $4,131,187 and $2,768,109, respectively, and the financial institution balances were $4,820,962 and $3,784,032, respectively. The $689,775 and $1,015,923 respective net difference as of June 30, 2025 and 2024 represents outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to $250,000 by the FDIC.

The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

B. Custodial Credit Risk

The custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

The custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District’s investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District’s bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

As of June 30, 2025 and 2024, none of the District’s deposits and investments were exposed to disclosable custodial credit risk.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments

The District's investments as of June 30, 2025 were as follows:

Investment Type	Measurement Focus*	Credit Rating	June 30, 2025 Fair Value	Remaining Maturity 1 year or less	Remaining Maturity 1-5 years
Non-negotiable certificates of deposit	Level 2	N/A	$ 3,213,675	$ 1,093,800	$ 2,119,875
Government sponsored agency securities	Level 2	AAA	3,295,407	594,784	2,700,623
Local agency investment fund (LAIF)	Uncategorized	N/A	6,492,718	6,492,718	-
Total			$ 13,001,800	$ 8,181,302	$ 4,820,498

The District's investments as of June 30, 2024 were as follows:

Investment Type	Measurement Focus*	Credit Rating	June 30, 2024 Fair Value	Remaining Maturity 1 year or less	Remaining Maturity 1-5 years
Non-negotiable certificates of deposit	Level 2	N/A	$ 3,316,523	$ 1,589,355	$ 1,707,770
Government sponsored agency securities	Level 2	AAA	3,157,496	385,108	2,772,388
Local agency investment fund (LAIF)	Uncategorized	N/A	8,414,177	8,414,177	-
Total			$ 14,888,196	$ 10,388,640	$ 4,480,158

*Refer to page 15 for framework for measuring fair value and fair value hierarchy.

D. Investment in State Investment Pool

The District is a voluntary participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The District had $6,492,718 and $8,414,177 invested in LAIF as of June 30, 2025 and June 30, 2024, respectively. The LAIF fair value factor of 1.001198310 and 0.996316042 was used to calculate the fair value of the investments in LAIF as of June 30, 2025 and 2024, respectively.

E. Fair Value Measurement Input

The District categorizes its fair value measurement inputs within the fair value hierarchy established by generally accepted accounting principles. The District has presented its measurement inputs as noted in the table above.

F. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2025 and 2024, the District's investment in the LAIF was not rated as noted in the table above.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

G. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District's investment policy follows the California Government Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the table above.

H. Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represented 5% or more of the District's total investments except for those in LAIF or non-negotiable certificates-of-deposit.

I. Authorized Deposits and Investments

The District's investment policy identifies other investment types that are authorized for the District to invest in under the California Government Code as follows:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
State and local agency bonds	5-years	None	None
U.S. treasury obligations	5-years	None	None
Government sponsored agency securities	5-years	None	None
Banker's acceptances	180 days	40%	30%
Prime commercial paper	270 days or less	40%	10%
Non-negotiable certificates of deposit	5-years	None	None
Medium-term notes	5-years or less	30%	None
Mortgage pass-through securities	5-years or less	20%	None
Mutual funds	None	20%	10%
Money market mutual funds	None	20%	20%
Collateralized bank deposits	5-years	None	None
County pooled investment funds	None	None	None
California Local Agency Investment Fund (LAIF)	None	None	None

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 was as follows:

	July 1, 2024	Additions	Retirements/ Transfers	June 30, 2025
Capital assets not being depreciated				
Land	$ 2,999,569	$ -	$ -	$ 2,999,569
Work in progress	9,024,743	1,991,622	-	11,016,365
Total capital assets not being depreciated	12,024,312	1,991,622	-	14,015,934
Capital assets being depreciated/amortized				
Randall-Bold water treatment plant	25,988,351	818,503	-	26,806,854
Infrastructure	67,115,284	2,108,002	-	69,223,286
Buildings and structures	2,694,192	-	-	2,694,192
Transmission and distribution system	6,396,094	392,508	(34,346)	6,754,256
General plant	3,451,733	301,177	(24,915)	3,727,995
Office equipment	138,465	-	-	138,465
Intangible right-to-use software agreements	431,960	27,120	-	459,080
Total capital assets being depreciated/amortized	106,216,079	3,647,310	(59,261)	109,804,128
Less: accumulated depreciation/amortization				
Randall-Bold water treatment plant	(14,983,770)	(632,866)	-	(15,616,636)
Infrastructure	(19,920,268)	(1,004,269)	-	(20,924,537)
Buildings and structures	(1,354,337)	(375,774)	-	(1,730,111)
Transmission and distribution system	(3,700,152)	(252,420)	-	(3,952,572)
General plant	(1,484,748)	(174,905)	58,978	(1,600,675)
Office equipment	(104,004)	(30,694)	-	(134,698)
Intangible right-to-use software agreements	(368,861)	(55,529)	-	(424,390)
Total accumulated depreciation/amortization	(41,916,140)	(2,526,457)	58,978	(44,383,619)
Capital assets, net of accumulated depreciation/amortization	$ 76,324,251	$ 3,112,475	$ (283)	$ 79,436,443

NOTE 3: CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended June 30, 2024 was as follows:

	July 1, 2023	Additions	Retirements/ Transfers	June 30, 2024
Capital assets not being depreciated				
Land	$ 2,999,569	$ -	$ -	$ 2,999,569
Work in progress	4,632,114	5,126,028	(733,399)	9,024,743
Total capital assets not being depreciated	7,631,683	5,126,028	(733,399)	12,024,312
Capital assets being depreciated/amortized				
Randall-Bold water treatment plant	25,503,319	290,355	194,677	25,988,351
Infrastructure	66,547,929	28,633	538,722	67,115,284
Buildings and structures	2,694,192	-	-	2,694,192
Transmission and distribution system	6,045,527	353,475	(2,908)	6,396,094
General plant	3,412,208	187,691	(148,166)	3,451,733
Office equipment	138,465	-	-	138,465
Intangible right-to-use software agreements	388,640	43,320	-	431,960
Total capital assets being depreciated/amortized	104,730,280	903,474	582,325	106,216,079
Less: accumulated depreciation/amortization				
Randall-Bold water treatment plant	(14,378,773)	(604,997)	-	(14,983,770)
Infrastructure	(18,936,696)	(983,572)	-	(19,920,268)
Buildings and structures	(979,891)	(374,446)	-	(1,354,337)
Transmission and distribution system	(3,492,430)	(210,630)	2,908	(3,700,152)
General plant	(1,471,165)	(161,749)	148,166	(1,484,748)
Office Equipment	(73,311)	(30,693)	-	(104,004)
Intangible right-to-use software agreements	(262,773)	(106,088)	-	(368,861)
Total accumulated depreciation/amortization	(39,595,039)	(2,472,175)	151,074	(41,916,140)
Capital assets, net of accumulated depreciation/amortization	$ 72,766,924	$ 3,557,327	$ -	$ 76,324,251

Depreciation/amortization expense for the years ended June 30, 2025 and 2024 totaled $2,526,457 and $2,472,175, respectively.

NOTE 4: ACCOUNTS RECEIVABLE AND AMOUNTS DUE FROM GOVERNMENTAL AGENCIES

Receivables as of June 30 consisted of the following:

	2025	2024
Customer receivables	$ 746,520	$ 564,712
Other receivables	5,948	5,328
Due from governmental agencies	-	3,510
Total receivables	$ 752,468	$ 573,550

NOTE 5: LEASES RECEIVABLE

The District is reporting leases receivable of $1,453,080 and $1,456,003 June 30, 2025 and 2024, respectively. For 2025, the District reported lease revenue of $175,034 and interest revenue of $44,915 related to lease payments received. For 2024, the District reported lease revenue of $169,435 and interest revenue of $45,824 related to lease payments received. These leases are summarized as follows:

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue
Office Space- MDRR	$ 150,725	$ 53,863	$ 5,458
Cellular Site- Crown Castle	1,138,970	68,214	34,678
Cellular Site- New Cingular Wireless PCS	-	3,031	13
Cellular Site - AT&T Cingular 2025	150,757	22,489	3,796
Cellular Site- T-Mobile	12,628	27,437	970
Total	$ 1,453,080	$ 175,034	$ 44,915

Office Space- MDRR - On December 1, 2015, the District entered into a twelve-year lease agreement with Mt. Diablo Resource Recovery (formerly Oakley Disposal Service, Inc.) for the lease of approximately 1,295 square feet of office space at the District's main office. Based on this agreement, the District is receiving monthly payments through 2027. There are two six-year renewal options included in this lease agreement. District management has determined it is reasonably certain the lessee will exercise the first option which is through November 30, 2033. Therefore the lease receivable amount includes payments for the first six-year option.

Cellular Site- Crown Castle - On November 1, 2013, the District entered into a twenty-five-year lease agreement with Crown Castle for the lease of a parcel of land to be used for construction and operation of a cellular antenna. Based on this agreement, the District is receiving monthly payments through October 31, 2038. There are no renewal options included in this lease agreement.

Cellular Site- New Cingular Wireless PCS, LLC - On September 30, 1999, the District entered into a twenty-five-year lease agreement with New Cingular Wireless PCS, LLC for the lease of a parcel of land to be used for construction and operation of a cellular antenna. Based on this agreement, the District is receiving monthly payments through August 31, 2024. There are no renewal options included in this lease agreement.

Cellular Site- AT&T Cingular - On March 4, 2025, the District entered into a five-year lease agreement with New Cingular Wireless PCS, LLC for the lease of a parcel of land to be used for construction and operation of a cellular antenna. Based on this agreement, the District is receiving monthly payments through November 30, 2030. There are no renewal options included in this lease agreement.

Cellular Site- T-Mobile - On November 1, 2000, the District entered into a twenty-five-year lease agreement with Vertical Bridge Towers III LLC/T-Mobile for the lease of a parcel of land to be used for construction and operation of a cellular antenna. Based on this agreement, the District is receiving monthly payments through October 31, 2035. There are no renewal options included in this lease agreement.

NOTE 5: LEASES RECEIVABLE (CONTINUED)

Future payments due to the District under the non-cancelable agreements are as follows for the years ended June 30:

For the Year Ending June 30,	Principal	Interest	Total
2026	$ 130,963	$ 41,917	$ 172,880
2027	123,504	38,175	161,679
2028	100,470	34,547	135,017
2029	84,743	31,902	122,256
2030	93,058	29,198	122,256
2031 - 2035	464,027	106,301	570,328
2036 - 2039	456,315	24,578	480,893
Total	$ 1,453,080	$ 306,618	$ 1,765,309

The District has deferred inflows of resources associated with these leases that will be recognized over the lease terms. As of June 30, 2025 and 2024, the balance of deferred inflows was $1,193,215 and $1,219,882.

NOTE 6: COMPENSATED ABSENCES

Summary changes to compensated absences balances for the year ended June 30, 2025, were as follows:

	July 1, 2024	Net Change	June 30, 2025	Current Portion	Noncurrent Portion
Compensated Absences	$ 188,135	$ 315,625	$ 503,760	$ 251,880	$ 251,880

Summary changes to compensated absences balances for the year ended June 30, 2024, were as follows:

	July 1, 2023	Net Change	June 30, 2024	Current Portion	Noncurrent Portion
Compensated Absences	$ 214,910	$ (26,775)	$ 188,135	$ 96,226	$ 91,909

NOTE 7: LONG-TERM LIABILITIES

The District has incurred long-term liabilities to finance projects or purchase assets, which have useful lives equal to or greater than the related debt.

Summary changes to long-term liabilities balances for the year ended June 30, 2025, were as follows:

	July 1, 2024	Additions/ Adjustments	Payments/ Reductions	June 30, 2025	Current Portion
Certificates-of-participation – 2019	$ 6,830,000	$ -	$ (435,000)	$ 6,395,000	$ 450,000
Loan payable – 2022A	2,399,000	-	(369,000)	2,030,000	382,000
Loan payable – 2022B	7,352,000	-	(205,000)	7,147,000	213,000
Subscription (SBITA) Liability	19,558	-	(8,901)	10,657	10,657
Add: Unamortized premiums - COPS	907,560	-	(30,252)	877,308	-
Total long-term liabilities	$ 17,508,118	$ -	$ (1,048,153)	$ 16,459,965	$ 1,055,657

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

Summary changes to long-term liabilities balances for the year ended June 30, 2024, were as follows:

	July 1, 2023	Additions/ Adjustments	Reductions	June 30, 2024	Current Portion
Certificates-of-participation – 2019	7,255,000	-	(425,000)	6,830,000	435,000
Loan payable – 2022A	2,759,000	-	(360,000)	2,399,000	369,000
Loan payable – 2022B	7,550,000	-	(198,000)	7,352,000	205,000
Subscription (SBITA) Liability	106,146	-	(86,588)	19,558	19,558
Add: Unamortized premiums - COPS	938,855	-	(31,295)	907,560	-
Total long-term liabilities	$ 18,609,001	$ -	$ (1,100,883)	$ 17,508,118	$ 1,028,558

Certificates-of-Participation – 2019

During fiscal year 2019, the District issued $8,380,000 of Series 2019 Water Revenue Certificates-of-Participation (2019 COPs) (i) to finance the acquisition, construction, and improvement of the Corporation Yard facilities of the District; (ii) refinance the District's remaining installment payment obligation under an Installment Sale Agreement dated as of May 1, 2010, between the District and the Corporation, and cause the refunding of all the District's outstanding 2010 Water Revenue Certificates of Participation; (iii) refinance the District's remaining installment payment obligation under an Installment Purchase Agreement dated June 30, 2014, between the District and the Holman Capital Finance Corporation. Interest is payable semiannually on January 1 and July 1 and principal payments are due annually on January 1 through 2050. A premium on the Certificates-of-Participation has been recorded in the amount of $877,308. The balance is amortized using the straight line method over the Certificates-of-Participation term. Amortization of premium for the year ended June 30, 2025 totaled $30,252. Annual remaining debt service repayments are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 450,000	$ 255,800	$ 705,800
2027	470,000	237,800	707,800
2028	490,000	219,000	709,000
2029	505,000	199,400	704,400
2030	530,000	179,200	709,200
2031-2035	1,570,000	670,200	2,240,200
2036-2040	650,000	426,000	1,076,000
2041-2045	780,000	286,000	1,066,000
2046-2050	950,000	116,800	1,066,800
Total	$ 6,395,000	$ 2,590,200	$ 8,985,200

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

Loans Payable – 2022

During fiscal year 2022, the District entered into loan agreements with Capital One Public Funding, LLC to finance the acquisition, construction, and improvements to the Water System. The loans bear an interest rate of 3.81% and 3.05% per annum. Principal and interest payments on the loans are due semiannually on each July 1 and January 1 commencing on January 1, 2023 through 2047. Annual remaining debt service repayments are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 595,000	$ 324,333	$ 919,333
2027	615,000	304,232	919,232
2028	637,000	283,425	920,425
2029	657,000	261,908	918,908
2030	677,000	239,714	916,714
2031-2035	1,388,000	1,014,032	2,402,032
2036-2040	1,673,000	723,234	2,396,234
2041-2045	2,017,000	372,716	2,389,716
2046-2047	918,000	35,318	953,318
Total	$ 9,177,000	$ 3,558,912	$ 12,735,912

Subscriptions (SBITAs)

The District has entered into subscription-based information technology arrangements (SBITAs) involving:

- Visual communications design software
- Geographic information software
- Document storage and management software
- Cloud-based maintenance management software
- Financial management, personnel management and billing software

As of June 30, 2025 and 2024, the total costs of the District's subscription assets (net of accumulated amortization) are recorded as $34,690 and 63,099, respectively.

The future subscription payments under SBITA agreements are as follows:

Years ending June 30,	Principal	Interest	Total
2026	$ 10,657	$ 343	$ 11,000
Total	10,657	343	11,000

NOTE 8: COUNTY PENSION PLAN TERMINATION LIABILITY

The District terminated its participation in the Contra Costa County Employees Retirement Association (CCCERA) effective September 30, 2005. Pursuant to its funding obligation upon termination, the District entered into a termination agreement with CCCERA under which the District agreed to pay the costs associated with its share of any unfunded actuarial liability that is attributable to the officers and employees of the District that either were retired or will retire under CCCERA. The District's initial termination funding obligation was $3,985,036 as of September 30, 2005, but it is subject to periodic re-computation and adjustment no less than every three years. The most recent computation as of December 31, 2021 (reported for June 30, 2022) indicated a remaining net termination liability of $1,103,361 as of that date. As of June 30, 2025 and 2024, the remaining obligation net termination liability totaled $778,915 and $820,308, respectively. The obligation is being amortized over approximately 7 years with annual installment payments. The final settlement date for the obligation will occur when CCCERA's actuary determines that the remaining termination liability is below 20% of the value of the initial termination funding obligation.

The estimated annual remaining liability payments are as follows:

Fiscal Year	Principal
2026	$ 44,187
2027	47,170
2028	50,354
2029	53,752
2030	57,381
Thereafter	526,072
Total	778,916
Less: current portion	(44,187)
Non-Current	$ 734,729

NOTE 9: PENSION PLAN

General Information about the Plan

All qualified permanent full and part-time District employees working at least 1,000 hours per year are eligible to participate in the District's cost-sharing multiple-employer defined benefit pension plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors two rate plans (both miscellaneous). Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Active members belonging to the Classic Plan are required to contribute 8.00% of their annual covered salary. Active members belonging to the PEPRA plan are required to contribute 8.00% of their annual covered salary. The District makes the contributions required of the Classic and PEPRA employees on their behalf and for their account.

NOTE 9: PENSION PLAN (CONTINUED)

The Plan's provisions and benefits in effect during the year ended June 30, 2025 are summarized as follows:

Hire Date	Classic Prior to January 1, 2013	PEPRA On or after January 1, 2013
Benefit Formula	2.7% at 55	2.0% at 62
Social Security Coverage	Yes	Yes
Full/Modified	Full	Full
Benefit Vesting Schedule	Five Years Schedule	Five Years Schedule
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	55	62
Monthly Benefits, as a % of Eligible Compensation	2.0% to 2.7%	1.0% to 2.5%
Required Employee Contribution Rates	8.00%	8.00%

	Classic		PEPRA	
	2025	2024	2025	2024
Required Employer Contribution Rate	16.70 %	16.63 %	8.07 %	7.91 %
Required UAL Contribution	$ 269,871	$ 219,734	$ 3,388	$ 399

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District's contributions to the Plan for the years ended June 30, 2025 and 2024 were $733,279 and $602,646, respectively.

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2025 and 2024, the District reported a net pension liability of $3,468,267 and $3,503,850 for its proportionate share of the net pension liability of the Plan, respectively.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2024, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of 2024 and 2023 measurement dates was as follows:

Proportion - June 30, 2023	0.067370 %
Proportion - June 30, 2024	0.070070 %
Change - Increase	0.002700 %

NOTE 9: PENSION PLAN (CONTINUED)

For the years ended June 30, 2025 and 2024, the District recognized pension expense of $730,004 and $673,898, respectively. At June 30, 2025 and 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$ 733,279	$ -	$ 602,646	$ -
Difference between actual contributions made by the employer and the employer's proportionate share of the risk pool's total contribution	143,460	6,994	75,715	17,195
Changes in assumptions	89,142	-	211,543	-
Differences between expected and actual experience	299,864	11,700	178,996	27,767
Adjustment due to differences in proportions	78,024	-	110,307	-
Net differences between projected and actual earnings on plan investments	199,664	-	567,305	-
Total	$ 1,543,433	$ 18,694	$ 1,746,512	$ 44,962

$733,279 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	
2026	$ 299,320
2027	523,008
2028	37,554
2029	(68,422)
Total	$ 791,460

NOTE 9: PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liabilities in the June 30, 2023 and 2022 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Miscellaneous
Valuation Date	June 30, 2023	June 30, 2022
Measurement Date	June 30, 2024	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	6.90%	6.90%
Inflation	2.30%	2.30%
Salary Increases	Varies by entry age and service	Varies by entry age and service
Investment Rate of Return	6.90% net of pension plan investment expenses; includes inflation	6.90% net of pension plan investment expenses; includes inflation
Mortality (1)	Derived using CalPERS membership data for all funds	Derived using CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.30% until purchasing power protection allowance floor on purchasing power applies.	Contract COLA up to 2.30% until purchasing power protection allowance floor on purchasing power applies.

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using the Society of Actuaries 80 percent of scale MP 2020. For more details on this table, please refer to the 2021 experience study report (based on CalPERS demographic data from 2000 to 2019) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the fiscal years 2000 to 2019, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

NOTE 9: PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set to equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Assumed Asset Allocation	Real Return (1, 2)
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
Emerging Market Debt	5.00%	2.48%
High Yield	5.00%	2.27%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

(1) An expected inflation of 2.30% used for this period.
(2) Figures are based on the 2021-22 Asset Liability Management Study.

NOTE 9: PENSION PLAN (CONTINUED)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Measurement Period 2024	Measurement Period 2023
1% Decrease	5.90 %	5.90 %
Net Pension Liability	$ 5,612,010	$ 5,424,232
Current Discount Rate	6.90 %	6.90 %
Net Pension Liability	$ 3,468,267	$ 3,503,850
1% Increase	7.90 %	7.90 %
Net Pension Liability	$ 1,703,652	$ 1,923,211

Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports on the CalPERS website.

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (OPEB)

The District provides postemployment healthcare benefits for retired employees in accordance with their published employee handbook.

Description of the Plan

Full-time employees who retire from the District after at least 10 years of service are eligible to receive health care benefits covering themselves and any qualified family members. The District pays 100% of the premiums for both retiree and eligible family members for all retirees until the retiree reaches age 65. Once the retiree reaches age 65, a percentage of the health care benefits for said retirees is covered based on years of service for either the Anthem Blue Cross Classic PPO with Medicare, Anthem Blue Cross HMO with Medicare, or the Kaiser Senior Advantage Plan, and eligible family members are offered health benefits at the retired employee's expense. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

Employees Covered

As of the June 30, 2023 actuarial valuation, the following current and former employees were covered by the benefit terms under the plan:

	Number of Covered Participants
Inactives currently receiving benefits	7
Active employees	23
Total	30

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Contributions

The contribution requirements of plan members and the District are based on current year retiree premiums. For the years ended June 30, 2025 and 2024, the District paid on behalf of its retirees $14,612 and $11,363, respectively.

Net OPEB Liability

The District's net OPEB liability ("NOL") was measured as of June 30, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2023 based on the following actuarial methods and assumptions:

Actuarial Valuation Date	June 30, 2023
Discount Rate	4.14% at June 30, 2024 3.86% at June 30, 2023
Expected Long-Term Rate of Return on Investments	6.25%
General Inflation	2.50% per annum
Mortality, Retirement, Disability, Termination	CalPERS 2000-2019 experience study
Mortality Improvement	Mortality projected fully generational with Scale MP-2021
Salary Increases	Aggregate - 2.75% Merit - CalPERS 2000-2019 Experience Study
Medical Trend	Non-Medicare - 8.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076 and later years Medicare - 6.25% for 2025, decreasing to an ultimate rate of 3.45% in 2076 and later years
Healthcare Participation	100%

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Target Allocation * CERBT - Strategy 1	Expected Real Rate of Return
Asset Class Component		
Global Equity	49%	4.56
Fixed Income	23%	1.56%
TIPS	5%	(0.08)%
Commodities	3%	1.22%
REITs	20%	4.06%
General Inflation		2.50% per annum
Expected Long-term Net Rate of Return, Rounded		6.25%
Discount Rate		
June 30, 2024		4.14%
June 30, 2023		3.86%

The long-term expected real rates of return are presented as geometric means.

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

*CalPERS approved new CERBT asset allocations in March 2022. This is not expected to impact the expected long-term rate of return assumption for CERBT Strategy 1.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.14% for the measurement period ending June 30, 2024, and 3.86% for the measurement period ending June 30, 2023. The projection of cash flows used to determine the discount rate assumed that the District will continue to pay retiree benefit payments outside of the trust (no additional contributions).

Changes in the Net OPEB Liability

The changes in the net OPEB liability for the health care plan at June 30, 2025 are as follows:

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2024 (Valuation date of June 30, 2023)	$ 2,464,866	$ 1,053,334	$ 1,411,532
Changes recognized for the measurement period:			
Service cost	183,743	-	183,743
Interest	101,261	-	101,261
Assumption changes	(89,521)	-	(89,521)
Contributions - employer	-	11,363	(11,363)
Net investment income	-	115,502	(115,502)
Benefit payments	(50,523)	(50,523)	-
Administrative expenses	-	(345)	345
Net changes	144,960	75,997	68,963
Balance at June 30, 2025 (Measurement date of June 30, 2024)	$ 2,609,826	$ 1,129,331	$ 1,480,495

The changes in the net OPEB liability for the health care plan at June 30, 2024 are as follows:

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2023 (Valuation date of June 30, 2022)	$ 2,205,087	$ 1,040,966	$ 1,164,121
Changes recognized for the measurement period:			
Service cost	116,530	-	116,530
Interest	87,898	-	87,898
Actual vs. expected experience	(20,650)	-	(20,650)
Assumption changes	153,071	-	153,071
Contributions - employer	-	19,282	(19,282)
Net investment income	-	70,461	(70,461)
Benefit payments	(77,070)	(77,070)	-
Administrative expenses	-	(305)	305
Net changes	259,779	12,368	247,411
Balance at June 30, 2024 (Measurement date of June 30, 2023)	$ 2,464,866	$ 1,053,334	$ 1,411,532

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2024:

	Discount Rate -1% (3.14%)	Current Discount Rate (4.14%)	Discount Rate +1% (5.14%)
Net OPEB Liability	$ 1,821,006	$ 1,480,495	$ 1,192,643

The following table presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2023:

	Discount Rate -1% (2.86%)	Current Discount Rate (3.86%)	Discount Rate +1% (4.86%)
Net OPEB Liability	$ 1,741,230	$ 1,411,532	$ 1,133,576

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following table presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2024:

	1% Decrease	Current Trend	1% Increase
Net OPEB Liability	$ 1,086,725	$ 1,480,495	$ 1,977,285

The following table presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2023:

	1% Decrease	Current Trend	1% Increase
Net OPEB Liability	$ 1,051,089	$ 1,411,532	$ 1,865,318

OPEB Plan Fiduciary Net Position

CERBT issues a publicly available financial report that may be obtained from the California Public Employees' Retirement System at 400 Q Street, Sacramento, CA 95811.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in the total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2025 and 2024, the District recognized OPEB expense of $259,216 and $198,320, respectively. As of fiscal year ended June 30, 2025 and 2024, the District reported deferred outflows/inflows of resources related to OPEB from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to the measurement date	$ 14,612	$ -	$ 11,363	$ -
Difference between expected and actual experience	-	184,172	-	214,712
Changes in assumptions	685,238	350,804	795,629	303,281
Net differences between projected and actual earnings on plan investments	13,105	-	64,621	-
Total	$ 712,955	$ 534,976	$ 871,613	$ 517,993

$14,612 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability during the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as expense as follows:

Year Ended June 30,	
2026	$ 33,142
2027	76,633
2028	26,827
2029	17,186
2030	27,126
Thereafter	(17,547)
Total	$ 163,367

NOTE 11: NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets consisted of the following as of June 30:

Description	2025	2024
Capital assets - not being depreciated	$ 14,015,934	$ 12,024,312
Capital assets, net - being depreciated	65,420,509	64,299,939
Certificates-of-participation - current	(450,000)	(435,000)
Loans payable - current	(595,000)	(574,000)
Subscription (SBITA) liability	(10,657)	(19,558)
Certificates-of-participation - non-current	(6,822,308)	(7,302,560)
Loans payable - non-current	(8,582,000)	(9,177,000)
Unspent proceeds from loans payable	1,507,000	3,836,000
Total net investment in capital assets	$ 64,483,478	$ 62,652,133

NOTE 12: RESTRICTED NET POSITION

Restricted net position consisted of the following as of June 30:

Description	2025	2024
Restricted for AB-1600 requirements - developer fees	$ 5,384,757	$ 6,285,325
Total restricted net position	$ 5,384,757	$ 6,285,325

NOTE 13: DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program. The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors.

NOTE 14: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), a public entity risk pool, for workers' compensation coverage. The purpose of ACWA/JPIA is to provide a cost-effective form of risk management to public entities, allowing them to bypass the high cost of workers' compensation insurance.

The following types of loss risks are covered by commercial insurance policies and ACWA/JPIA as follows:

Type of Coverage (Deductible)		Coverage Limit
Liability ($0)	per occurrence	$ 5,000,000
Excess liability**	with various sublimits starting at	$ 2,000,000
Property ($1,000 - $5,000 - varies based on property type)	Replacement cost up to an aggregate of	$ 34,352,363
Auto liability ($500)	Each accident	$ 5,000,000
Crime coverage ($1,000)		$ 100,000
Cyber liability (varies based on annual revenue)		Total Annual Revenue
Workers' compensation ($2,500)		Statutory Limit
Workers' compensation - employer's liability		$ 2,000,000

** The liability insurance program is comprised of a pool layer and reinsurance/excess coverage for a total limit of $55,000,000.

Settled claims have not exceeded any of the coverage amounts in any of the last four fiscal years. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2025 and 2024.

NOTE 15: COMMITMENTS

Main Extension Reimbursement Payable

Regulation No. 3 of the District sets forth the connection charges and reimbursements for certain main extensions. In general terms, this Regulation requires the applicant to pay to the District a developer impact charge and a main extension reimbursement assessment, and to advance to the District its costs of materials, labor, engineering and administration.

The District reimburses eligible applicants over a 10-year period without interest for extensions and enlargements of the District's pipeline facilities. The reimbursement is paid in July of each year following acceptance of the facilities by the District. The maximum amount of reimbursement cannot exceed 10% of the originally established potential reimbursement amount. If the 10% liability is under $5,000, then $5,000 will be paid annually until the liability is paid-off. This policy is subject to the availability of sufficient funds in the District's Main Extension Reimbursement Assessment (MERA) account. The balance due at June 30, 2025 and 2024 was $591,044 and $561,941, respectively.

Substandard Street Deposit Liability

Developers are required to deposit with the District the estimated cost of relocating pipelines in substandard streets. If the costs exceed the amount on deposit, the developer will be required to reimburse the District. If the costs are less than the amount on deposit, the District will refund the excess to the developer. The amount on deposit, together with accrued interest, was $192,458 as of June 30, 2025 and 2024 and included in deposits and unearned revenue on the statement of net position.

Brentwood Pump Station

The District entered into an agreement with the City of Brentwood (City) on September 18, 1996 for the construction of a water main on Empire Avenue connecting the City's distribution system to the District's. The purpose of the agreement was to enable the District to wheel water treated for potability at the Randall-Bold Water Treatment Plant to the City of Brentwood.

Construction costs were borne by the City and the project was completed in October of 1997. The District reads the meter on the last working day of each month and delivers a copy of the reading to the City.

Under the terms of the original agreement, the District is not obligated to transport water after November 30, 2003. Commencing the same date, the District was obligated to pay 90% of Brentwood's constructions costs up to a maximum of $585,000 in ten equal annual installments without interest. The agreement was amended on October 25, 2000. The service areas located south of Neroly Road and Delta Road (overlap areas) will be serviced by the City. The ten annual installments were reduced to six with payments starting in 2008 through 2013, and the District made the final payment in fiscal year 2013. For connections in the overlap areas, the City pays a connection fee subject to annual increases per the Construction Cost Index.

NOTE 16: CONTINGENCIES

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

NOTE 17: SUBSEQUENT EVENTS

Management has reviewed events subsequent to June 30, 2025 through November 20, 2025, which is the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

DIABLO WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2025
LAST 10 YEARS

	Measurement Period				
	2024	**2023**	**2022**	**2021**	**2020**
Proportion of the net pension liability	0.07007 %	0.06737 %	0.02729 %	0.02529 %	0.02406 %
Proportionate share of the net pension liability	$ 3,468,267	$ 3,503,850	$ 3,152,424	$ 1,367,588	$ 2,617,587
Covered payroll	$ 3,115,663	$ 2,683,518	$ 2,196,390	$ 1,924,833	$ 1,761,762
Proportionate share of the net pension liability as a percentage of covered payroll	111.32 %	130.57 %	143.53 %	71.05 %	148.58 %
Plan fiduciary net position as a percentage of the total pension liability	78.08 %	76.21 %	76.68 %	88.29 %	75.10 %

Notes to Schedule:

Changes in assumptions: In 2024, there were no changes to the Actuarial Assumptions. In 2023, there were no changes to the Actuarial Assumptions. In 2022, the demographic assumptions. discount rate and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2021. In 2021, 2020 and 2019, there were no changes. In 2018, the demographic assumptions and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

DIABLO WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)
AS OF JUNE 30, 2025
LAST 10 YEARS

	Measurement Period				
	2019	**2018**	**2017**	**2016**	**2015**
Proportion of the net pension liability	0.02355 %	0.02293 %	0.02270 %	0.02247 %	0.02223 %
Proportionate share of the net pension liability	$ 2,413,360	$ 2,209,851	$ 2,251,040	$ 1,944,341	$ 1,526,137
Covered payroll	$ 1,643,754	$ 1,493,450	$ 1,341,221	$ 1,251,800	$ 1,044,488
Proportionate share of the net pension liability as a percentage of covered payroll	146.82 %	147.97 %	167.84 %	155.32 %	146.11 %
Plan fiduciary net position as a percentage of the total pension liability	75.26 %	75.30 %	73.31 %	74.06 %	78.40 %

DIABLO WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS TO THE COST SHARING DEFINED BENEFIT PENSION PLAN
AS OF JUNE 30, 2025
LAST 10 YEARS

	Fiscal Year-End				
	2025	**2024**	**2023**	**2022**	**2021**
Contractually required contribution (actuarially determined)	$ 733,280	$ 602,646	$ 547,381	$ 470,540	$ 412,782
Contributions in relation to the actuarially determined contributions	(733,280)	(602,646)	(547,381)	(470,540)	(412,782)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,846,656	$ 3,115,663	$ 2,683,518	$ 2,196,390	$ 1,924,833
Contributions as a percentage of covered payroll	19.06 %	19.34 %	20.40 %	21.42 %	21.45 %

DIABLO WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS TO THE COST SHARING DEFINED BENEFIT PENSION PLAN (CONTINUED)
AS OF JUNE 30, 2025
LAST 10 YEARS

	Fiscal Year-End				
	2020	**2019**	**2018**	**2017**	**2016**
Contractually required contribution (actuarially determined)	$ 359,113	$ 314,239	$ 267,797	$ 237,345	$ 211,486
Contributions in relation to the actuarially determined contributions	(359,113)	(314,239)	(267,797)	(237,345)	(211,486)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 1,761,762	$ 1,643,745	$ 1,493,450	$ 1,341,221	$ 1,251,800
Contributions as a percentage of covered payroll	20.38 %	19.12 %	17.93 %	17.70 %	16.89 %

DIABLO WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, 2025
LAST 10 YEARS *

	Measurement Period			
	2024	**2023**	**2022**	**2021**
Changes in the Total OPEB Liability				
Service cost	$ 183,743	$ 116,530	$ 149,215	$ 60,987
Interest	101,261	87,898	67,493	119,174
Actual vs. expected experience	-	(20,650)	(253,452)	(253,452)
Assumption changes	(89,521)	153,071	(371,433)	842,554
Benefit payments	(50,523)	(77,070)	(75,725)	(76,555)
Net Changes	144,960	259,779	(230,450)	692,708
Total OPEB Liability (beginning of year)	2,464,866	2,205,087	2,435,537	1,742,829
Total OPEB Liability (end of year)	$ 2,609,826	$ 2,464,866	$ 2,205,087	$ 2,435,537
Changes in Plan Fiduciary Net Position				
Contributions - employer	$ 11,363	$ 19,282	$ 13,224	$ 12,826
Net investment income	115,502	70,461	(169,455)	288,270
Benefit payments	(50,523)	(77,070)	(75,725)	(76,555)
Administrative expenses	(345)	(305)	(324)	(397)
Net Changes	75,997	12,368	(232,280)	224,144
Plan Fiduciary Net Position (beginning of year)	1,053,334	1,040,966	1,273,246	1,049,102
Plan Fiduciary Net Position (end of year)	$ 1,129,331	$ 1,053,334	$ 1,040,966	$ 1,273,246
Net OPEB Liability	$ 1,480,495	$ 1,411,532	$ 1,164,121	$ 1,162,291
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	43.3 %	42.7 %	47.2 %	52.3 %
Covered employee payroll	$ 3,025,954	$ 3,025,954	$ 2,683,518	$ 2,195,673
Net OPEB Liability as a Percentage of Covered-Employee Payroll	48.9 %	46.6 %	43.4 %	52.9 %

Notes to Schedule:

Changes in assumptions:

For the measurement period June 30, 2024, the discount rate increased to 4.14%. For the measurement period June 30, 2023, the discount rate and long-term return on assets was 3.86%. This rate has increased from 3.85%, (which was used throughout all past measurement periods), based on the crossover test, a change in the District's funding policy and the municipal bond rate.
Demographics assumed termination, disability and retirement rates were updated from those provided in the CalPERS 2000-2019 experience study reports to the rates in the most recent available experience study (2021) of the CalPERS program. Given the repeal of the provision related to the excise tax on high-cost plans from the Affordable Care Act in December 2019, any liability related to this tax was excluded.

* Schedule is intended to show information for ten years. Fiscal year 2018 was the first year of implementation, therefore only eight years are shown. Additional years' information will be displayed as it becomes available.

DIABLO WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, 2025
LAST 10 YEARS *

	Measurement Period			
	2020	**2019**	**2018**	**2017**
Changes in the Total OPEB Liability				
Service cost	$ 59,211	$ 54,554	$ 52,965	$ 51,422
Interest	112,558	99,983	93,683	87,254
Actual vs. expected experience	-	(36,656)	-	-
Assumption changes	-	133,197	-	-
Benefit payments	(74,512)	(64,368)	(45,435)	(44,508)
Net Changes	97,257	186,710	101,213	94,168
Total OPEB Liability (beginning of year)	1,645,572	1,458,862	1,357,649	1,263,481
Total OPEB Liability (end of year)	$ 1,742,829	$ 1,645,572	$ 1,458,862	$ 1,357,649
Changes in Plan Fiduciary Net Position				
Contributions - employer	$ 74,512	$ 64,368	$ 45,435	$ 3,844
Net investment income	35,802	58,914	71,414	89,368
Benefit payments	(74,512)	(64,368)	(45,435)	(44,508)
Administrative expenses	(495)	(205)	(1,645)	(451)
Net Changes	35,307	58,709	69,769	48,253
Plan Fiduciary Net Position (beginning of year)	1,013,795	955,086	885,317	837,064
Plan Fiduciary Net Position (end of year)	$ 1,049,102	$ 1,013,795	$ 955,086	$ 885,317
Net OPEB Liability	$ 693,727	$ 631,777	$ 503,776	$ 472,332
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	60.2 %	61.6 %	65.5 %	65.2 %
Covered employee payroll	$ 1,921,871	$ 1,804,907	$ 1,591,893	$ 1,489,595
Net OPEB Liability as a Percentage of Covered-Employee Payroll	36.1 %	35.0 %	31.6 %	31.7 %

DIABLO WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN
AS OF JUNE 30, 2025
LAST 10 YEARS *

	Fiscal Year			
	2025	**2024**	**2023**	**2022**
Actuarially Determined Contribution (ADC)	N/A - g	N/A - f	N/A - e	N/A - d
Contributions in relation to the ADC	N/A - g	N/A - f	N/A - e	N/A - d
Contribution deficiency (excess)	N/A	N/A	N/A	N/A
Covered-Employee Payroll	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A

a: The District did not determine an ADC for the year ended June 30, 2018.
b: The District contributed $45,435 for benefit payments during 2018. However this amount was reimbursed by the irrevocable trust; therefore contributions are considered to be $0 as defined by GASB 75.
c: No ADC was calculated by the plan's actuary for the year ended June 30, 2021.
d: No ADC was calculated by the plan's actuary for the year ended June 30, 2022.
e: No ADC was calculated by the plan's actuary for the year ended June 30, 2023.
f: No ADC was calculated by the plan's actuary for the year ended June 30, 2024.
g: No ADC was calculated by the plan's actuary for the year ended June 30,2025.

* Schedule is intended to show information for ten years. Fiscal year 2018 was the first year of implementation, therefore only eight years are shown. Additional years' information will be displayed as it becomes available.

DIABLO WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN (CONTINUED)
AS OF JUNE 30, 2025
LAST 10 YEARS *

	Fiscal Year			
	2021	**2020**	**2019**	**2018**
Actuarially Determined Contribution (ADC)	N/A - c	$ 102,224	$ 99,259	N/A - a
Contributions in relation to the ADC	N/A - c	74,512	61,789	N/A - b
Contribution deficiency (excess)	N/A	$ 27,712	$ 37,470	N/A
Covered-Employee Payroll	N/A	$ 1,921,871	$ 1,804,907	N/A
Contributions as a Percentage of Covered-Employee Payroll	N/A	3.9 %	3.4 %	N/A

SUPPLEMENTARY INFORMATION

DIABLO WATER DISTRICT
SCHEDULES OF CASH AND INVESTMENTS AVAILABLE FOR OPERATIONS
JUNE 30, 2025 AND 2024

	2025	2024
Cash Accounts:		
General checking	$ 4,128,512	$ 2,765,434
Cash on hand	2,575	2,575
Payroll tax deposits	100	100
Total cash accounts	4,131,187	2,768,109
Investment Accounts		
Local agency investment fund	6,492,718	8,414,177
Government sponsored agency securities	3,295,407	3,157,496
Non-negotiable certificates-of-deposit	3,213,675	3,316,523
Total investment accounts	13,001,800	14,888,196
Total cash and investments	$ 17,132,987	$ 17,656,305
Restricted Net Position:		
Facilities reserve	5,384,757	6,285,325
Total restricted for AB-1600 requirements - developer and connection fees	5,384,757	6,285,325
Total restricted net position	5,384,757	6,285,325
Designated Funds:		
Rate stabilization fund	$ 1,000,000	$ 1,000,000
Reserve Fund	1,500,000	$ 1,000,000
Customer deposits/developer-admin deposits	181,244	190,750
Maintenance bonds	405,000	405,000
Main extension reimbursement payable	577,555	561,941
Substandard street deposits	192,458	192,837
Willow Park Marina well system	43,292	12,692
Payroll tax deposit	100	100
Knightsen well system	28,716	44,706
Total designated funds	3,928,365	3,408,026
Total assigned cash and investments	9,313,122	9,693,351
Cash and investments available for operations	7,819,865	7,962,954
Total cash and investments	$ 17,132,987	$ 17,656,305
Reconciliation to Statement of Net Position		
Cash and cash equivalents	$ 4,131,187	$ 2,768,109
Investments	7,617,043	8,602,871
Restricted - investments	5,384,757	6,285,325
Total cash and investments	$ 17,132,987	$ 17,656,305

DIABLO WATER DISTRICT
SCHEDULES OF DEBT SERVICE NET REVENUE COVERAGE
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
TOTAL REVENUES:		
Operating revenues	$ 19,973,048	$ 15,236,114
Non-operating revenues	1,124,430	1,535,250
Capital contributions - developer and connections fees	2,117,506	1,516,034
TOTAL REVENUES	23,214,984	18,287,398
TOTAL EXPENSES		
Operating Expenses	18,519,361	16,125,908
Non-operating expenses	744,849	507,643
LESS DEBT SERVICE ITEMS		
Interest expense - long-term debt	(744,849)	(507,643)
TOTAL EXPENSES	18,519,361	16,125,908
NET REVENUES AVAILABLE FOR DEBT SERVICE	$ 4,695,623	$ 2,161,490
DEBT SERVICE FOR THE FISCAL YEAR	$ 1,793,002	$ 1,608,526
DEBT SERVICE NET REVENUE COVERAGE RATIO	262 %	134 %
DEBT SERVICE NET REVENUE COVERAGE RATIO WITH RESERVES*	401 %	197 %

* Ratio includes $1,000,000 in Rate Stabilization Reserve and $1,000,000 Reserve Fund maintained by the District as part of its unrestricted fund balance which is available to be used for debt service.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Diablo Water District
Oakley, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Diablo Water District (the "District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Diablo Water District's basic financial statements and have issued our report thereon dated November 20, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Diablo Water District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Diablo Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Diablo Water District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Diablo Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MUN CPAs, LLP

Sacramento, California
November 20, 2025

November 20, 2025

To the Board of Directors
Diablo Water District
Oakley, California

We have audited the financial statements of the business-type activities of Diablo Water District for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 11, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Diablo Water District are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, and No. 102, *Certain Risk Disclosures*. We noted no transactions entered into by Diablo Water District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

- Net pension liability and net other post-employment benefits (OPEB) liability – based on actuarial valuations
- Depreciation – based on the District's capitalization policy
- Lease receivable and deferred inflows of resources – based on the present value of estimated future lease payments
- Subscription based information technology arrangements (SBITA) right-of-use asset and related SBITA liability – based on the present value of estimated future payments to be made

We evaluated the methods, assumptions, and data used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Attachment "A" summarizes uncorrected misstatements identified during our audit procedures. Management determined these misstatements were not material to the financial statements. Attachment "B" summarizes misstatements detected as a result of our audit procedures which were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 20, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Schedule of the District's Proportionate Share of the Net Position Liability, Schedule of Contributions to the Cost Sharing Defined Benefit Pension Plan, Schedule of Changes in the Net OPEB Liability and Related Ratios, and Schedule of Contributions to the OPEB Plan, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Cash and Investments Available for Operations and the Schedule of Debt Service Net Revenue Coverage, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of Diablo Water District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

MUN CPAs, LLP

MUN CPAs, LLP

Attachment A

DIABLO WATER DISTRICT
SUMMARY OF PASSED AUDIT ADJUSTMENTS
JUNE 30, 2025

	Effect - Increase (Decrease)				
Description	**Assets & Deferred Outflows**	**Liabilities & Deferred Inflows**	**Net Position**	**Revenues**	**Expenses**
Current Year Differences					
To record accrued payroll	$ -	$ 16,662	$ -	$ -	$ 16,662
Total Income Statement Effect				$ -	$ 16,662
Balance Sheet Effect	$ -	$ 16,662	$ -		

Attachment B

DIABLO WATER DISTRICT
SUMMARY OF AUDIT ADJUSTMENTS
JUNE 30, 2025

	Effect - Increase (Decrease)				
Description	**Assets & Deferred Outflows**	**Liabilities & Deferred Inflows**	**Net Position**	**Revenues**	**Expenses**
Current Year Differences					
To record amortization on SBITAs	(55,529)				55,529
To record new SBITA	27,120	27,120			
To true up accumulated amortization		(36,021)			(36,021)
To amortize the premium on the 2019 COP		(30,252)		30,252	-
To true up CCCERA liability	(28,956)	(41,393)			(12,437)
To write off uncollectable grant receivable	(3,510)				3,510
To true up debt book adjustment	(130,963)		(130,963)		
To recognize correct Capital Asset addition	560,000			560,000	
Total Income Statement Effect				$ 590,252	$ 10,581
Balance Sheet Effect	$ 368,162	$ (80,546)	$ (130,963)		

Diablo Water District

Summary of Audit Results
June 30, 2025

Auditor & Management Responsibilities

- **Management is responsible** for the preparation and presentation of the financial statements.

- Purpose of an audit is to provide financial statement users with an **independent opinion** on whether the financial statements are presented fairly, in all material respects, and in accordance with applicable accounting standards (GAAP).

Financial Highlights

- **Net Position:** Increased by $3.53 million (4.94%) from $71.49 million to $75.02 million.
- **Operating Revenues:** Increased by 31.1% ($4.74 million), primarily due to a rate increase and higher water sales.
- **Operating Expenses**: Increased by 14.8% ($2.39 million), mainly due to inflationary pressures on energy, insurance, labor, and water purchase costs.
- **Capital Contributions**: Significant increase from $1.52 million in FY24 to $4.23 million in FY25 ($2.12 in developer connection fees and $2.11 in capital contributions), reflecting ongoing development and new connections.

Audit Process

- Audit Interim Fieldwork – July 2025
  - Planning – risk assessment, review of Board minutes, management inquiry
  - Documentation of financial processes and testing of internal controls
    - Cash Receipts
    - Disbursements
    - Payroll
    - Journal entries, bank reconciliations, financial reporting

Audit Process

- Audit Year-End Fieldwork – First week of October 2025
  - Testing of Year-End Balances and Activity
    - Confirmation of balances
    - Cut-off testing – receivables and payables
    - Detail tests of transactions
    - Analytical review
  - Preparation of Financial Statements and footnotes

Audit Reporting

- Reporting Results of the Audit
  - Audit Opinion - Independent Auditor's Report
  - *Government Auditing Standards* (GAS) Report
  - Management Letter, if required
  - Audit Conclusion Letter to those Charged with Governance

Audit Results – Financial Statements

- **Independent Auditor's Report**
  - Types of opinions: Unmodified, modified, adverse, and disclaimer
  - June 30, 2025: **Unmodified** ("Clean") Audit Opinion
    - No material misstatements
    - Financial statements are presented in accordance with GAAP
- Management's Discussion and Analysis
- Financial Statements
- Notes to the Financial Statements and Required Supplementary Information

Audit Reporting – *Government Auditing Standards*

- Types of Findings: Material Weakness, Significant Deficiency, & Compliance
  - No material weaknesses
  - No significant deficiencies reported
  - No compliance exceptions

Audit Reporting – Management Letter

- Management letter reports *control deficiencies* or recommendations for improvement
  - No items to report, no management letter issued for the year ended June 30, 2025

Audit Reporting – Conclusion Letter

- Communication with Those Charged with Governance
  - **New Accounting Policies**
    - Implemented GASB 101 Compensated Absences
  - **Significant Changes in Disclosures**
    - None
  - **Accounting Estimates**
    - Depreciation
    - Pension and OPEB liabilities
    - Lease receivable
    - SBITA ROU asset and SBITA liability

Audit Reporting – Conclusion Letter

- **Difficulties Encountered in Performing the Audit**
  - None
- **Disagreements with Management**
  - None
- **Audit Adjustments**
  - Bond premium amortization
  - Capitalization of project costs
  - Correction of lease balances to Debt Book schedules
  - Assistance with accounting for SBITA asset & liability
  - Assistance with true-up of CCCERA liability
- **Passed Audit Adjustment**
  - Payroll accrual

Summary of Audit Results

- Reporting Results of the Audit
  - **Unmodified** (“Clean”) opinion on financial statements
  - Minimal audit adjustments
  - No material weaknesses, significant deficiencies, compliance exceptions, or recommendations for improvement
  - No major issues, disagreements, or difficulties performing the audit

DIABLO WATER DISTRICT

Thank you.

Justin Williams

MUN CPAs, LLP

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Sacramento, California 95833

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M·U·N

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DIABLO WATER DISTRICT

December 10, 2025 Board Meeting

Item Number 9

TO: Each Director

FROM: Jennifer McCoy, Finance & Accounting Manager

SUBJECT: Distinguished Budget Presentation Award – GFOA.

On September 4, 2025, the District submitted their Fiscal Year 25/26 budget document and application to participate in the GFOA (Government Finance Officers Association) Distinguished Budget Presentation Award Program. The District was informed on November 4, 2025, that we had received the award for the fourth year in a row.

This award represents a significant achievement for the District. It reflects the commitment of our governing body and Staff to meeting the highest principles of governmental budgeting. In order to receive the budget award, the District had to satisfy nationally recognized guidelines for effective budget presentation. These guidelines are designed to assess how well an entity's budget serves as:

- A policy document
- A financial plan
- An operations guide
- A communications device

Budget documents must be rated "proficient" in all four categories and in the 14 mandatory criteria within those categories to receive the award.

When a Distinguished Budget Presentation Award is granted to an entity, a Certificate of Recognition for Budget Presentation is also presented to them for having achieved the award. Both items have been presented to **Diablo Water District, Oakley, California**.

RECOMMENDATION:

Receive.

Jennifer McCoy

Jennifer McCoy
Finance & Accounting Manager

Attachments: Distinguished Budget Presentation Award
Certificate of Recognition for Budget Preparation

Quality Integrity

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

Diablo Water District
California

For the Fiscal Year Beginning

July 01, 2025

Christopher P. Morrill

Executive Director

The Government Finance Officers Association of the United States and Canada

presents this

CERTIFICATE OF RECOGNITION FOR BUDGET PREPARATION

to

Finance Department

Diablo Water District, California

The Certificate of Recognition for Budget Preparation is presented by the Government Finance Officers Association to those individuals who have been instrumental in their government unit achieving a Distinguished Budget Presentation Award. The Distinguished Budget Presentation Award, which is the highest award in governmental budgeting, is presented to those government units whose budgets are judged to adhere to program standards.

Executive Director Christopher P. Morrill

Date: **11/4/2025**

DIABLO WATER DISTRICT
December 10, 2025 Board Meeting
Item Number 10

TO: Each Director

FROM: Dan Muelrath, General Manager

SUBJECT: Income Assistance Program with Consideration for Adding Non-Profits.

At the Board's November 19th meeting, Director Shaw requested an item be agendized to consider adding non-profits to the District's Monthly Service Charge Discount program. The District's current program provides up to a 50% discount on monthly service charges for residential customers who meet income eligibility requirements. The funding source for this program is from non-ratepayer revenue (leases, rentals, and HomeServe).

Staff have reviewed the program framework and determined that expanding eligibility to non-profit organizations would be consistent with the program's goals. Eligibility would be limited to nonprofit accounts located in commercially zoned areas. The expansion would not apply to general commercial businesses, profit generating operations, or home-based non-profits.

Based on City records, the number of accounts that meet the criteria above is estimated at eight. The organizations range from animal rescues to children's fitness to food pantries/churches.

Current program stats:

- Available non-ratepayer funds: $190,000 est.
- Annual total discounts given: $16,500 est.
- Number of current accounts participating: 223

The proposed modification is expected to have minimal fiscal impact and remain under the available funds for this program.

RECOMMENDATION:

Consider an expansion of the Monthly Service Charge Discount Program to allow participation by qualifying nonprofit organizations operating in commercially zoned areas.

Dan Muelrath

Dan Muelrath
General Manager

Integrity We Care

DIABLO WATER DISTRICT
December 10, 2025 Board Meeting
Item Number 11

TO: Each Director

FROM: Dan Muelrath, General Manager

SUBJECT: Directors' Regulation 101 Potential Amendment to the Three-Month Period for Officer and Committee Positions.

As discussed at the Board's November 19, 2025 meeting, new officer assignments were not performed due to the timing being beyond the 3-month time period referenced in Regulation 101. At the request of Directors, General Counsel has provided guidance for more flexibility as to when officer and committee assignments can be performed.

The redline version of the regulation contains the proposed edits.

RECOMMENDATION:

Discuss potential amendments to the recently updated Regulation 101 regarding the three-month period for Officer and Committee Positions. Provide direction as appropriate, and if an amendment is duly approved by the Board, then adopt Resolution No. 2025-19 to incorporate such amendment.

Dan Muelrath

Dan Muelrath
General Manager

Attachments: Regulation 101 redline
Resolution 2025-19

Integrity

Diablo Water District
Regulation No. 101
Governance, Board Meetings, and Director Responsibilities

Section 1. Purpose and Authority of the District

a. Diablo Water District ("District") was formed and is organized as a county water district pursuant to California Water Code Section § 30000 et seq. The District's expressed and implied authorities and powers are established by the California Water Code and applicable case law, including Government Code Section § 54954, which provides authority for rules governing Board proceedings. The District may take any action necessary to furnish sufficient water in the district for any beneficial use, including:
    - Storing water for the benefit of the District.
    - Conserving water for future use.
    - Appropriating, acquiring, and conserving water and water rights for any useful purpose.
    - Selling water or the use thereof.
    - Establishing rules and regulations for conservation, sale, distribution, and use of water.

b. The District also serves and operates as a Groundwater Sustainability Agency ("GSA") in the San Joaquin Valley–East Contra Costa Groundwater Subbasin under the Sustainable Groundwater Management Act (SGMA) in accordance with California Water Code Section § 10720 et seq.

Section 2. Purpose and Duties of the Board

a. The Board of Directors ("Board") is the legislative and policy-making body of the District. Operating under the County Water District Law of the State of California and other applicable statutes and laws, its responsibilities include:
    - Establishing the District's mission, vision, guiding principles, and strategic direction.
    - Ensuring the financial and operational integrity of the District, including budgets and rates based on cost of service that meet the District's financial policies and strategic objectives.

- Setting rules, regulations, and policies consistent with strategies and goals set through policy.
- Monitoring District performance against adopted goals.
- Hiring and overseeing the General Manager and General Counsel, including regularly evaluating the performance of the General Manager.
- Making organizational decisions as may be required by County Water District Law.

b. Serving as ambassadors to the community and region.

c. Holding regular meetings to conduct the business of the District in an open and transparent manner consistent with the Ralph M. Brown Act and open meeting laws, including a biannual organizational meeting at which it shall elect a President and Vice President in accordance with the law.

Section 3. Board Meetings

a. Regular Meetings
   - Held monthly on the fourth Wednesday at 6:30 p.m. at the District Office, 3990 Main Street, Oakley, or another location as publicly noticed for Special or Emergency Meetings.
   - All regular meetings will include two-way teleconferencing.

b. Special and Emergency Meetings
   - May be called by the President or any three Directors.
   - Must comply with Ralph M. Brown Act requirements for notice and conduct.

c. Public Access and Conduct
   - All meetings and hearings of the Board of Directors are open to the public per the Ralph M. Brown Act.
   - Meetings may be adjourned or continued according to the Ralph M. Brown Act.

d. Rules of Order

- The Board references, without adopting, Rosenberg's Rules of Order as a general guide for procedural efficiency, including that the agenda may be continued to a future Board meeting agenda, at the Board's discretion, for a variety of reasons, including, without limitation, complexity of the subject, newly discovered information or comments arising at the Board meeting, or the length of the current meeting reducing the productivity of the Board to adequately contemplate an agenda item.

e. Agenda Planning

- Agenda setting is a shared responsibility between the General Manager and the Board President, ensuring that all business brought before the Board reflects both administrative necessity and Board direction.
- Board members, the General Manager, or the General Manager's designee may request items be placed on the agenda during the request for future agenda items during a publicly noticed meeting.
    i. Any request that requires a significant expenditure of staff time or other resources, such as the engagement of an outside consultant, must be approved by the Board at a public meeting.
    ii. Items requested outside a public meeting will be included in the Future Agenda Items staff report for review by the full Board.
- Board members may participate via remote teleconferencing attendance and similar means pursuant to the Ralph M. Brown Act and other applicable regulations as they currently exist or will be modified in the future.

Section 4. Board Officers and Committee Assignments

a. The Board elects a President and Vice President:

- At its first meeting in December of even-numbered years. Appointments are effective immediately unless otherwise noted in open session.

- When the Board's composition changes through election, appointment, or vacancy, the Board may, within three months of seating the new Director or such other time that at least a majority of the Board seek to invoke this section, hold an Officer Confirmation Meeting that may confirm or elect a new President and Vice President.
- Nominations open first for President and then for Vice President, with a simple majority determining each result. Outgoing officers preside until the transition is complete but do not influence nominations or vote counting for the office they currently hold. All transitions should be recorded formally and respectfully, with appreciation for prior service.

b. Terms are for two years or until successors are elected, unless earlier removed from the officer position by the Board.

c. If the President's seat becomes vacant due to death, removal, or resignation, the Vice President shall serve as Interim President until the next regular meeting, when the Board formally confirms or elects officers. Election of a new officer automatically concludes the prior officer's term; no separate removal vote is required.
   - In the event of removal or resignation, the former President shall retain full voting rights as a member of the Board until the effective date of such resignation or removal.

d. If the Vice President's seat becomes vacant due to succession as President, death, removal, or resignation:
   - A new Vice President shall be elected at the final Board meeting at which the outgoing Vice President serves, with the appointment effective the following day.
   - All Board members shall retain full voting rights.

e. Committee Assignments are determined by the Board at the Boards first meeting in December of even-numbered years. Liaison and committee assignments are instruments of public service, intended to strengthen coordination with partner agencies and ensure that

the District's advocacy reflects community priorities and Board consensus. Appointments are effective immediately unless otherwise noted in open session.

- When the Board's composition changes, the Board may, within three months or such other time that at least a majority of the Board seek to invoke this section, review and confirm or realign its liaison and committee assignments. This ensures that representation in interagency and legislative settings reflects the current leadership and Board priorities.
- The General Manager, in consultation with the President and Vice President, would present a current list of liaison and committee assignments for Board confirmation. The Board may confirm, modify, or nominate replacements by majority vote. The Board may also make realignments at any time by majority vote to maintain balanced and effective representation.
- All liaison and committee representatives will provide brief updates to the Board following significant meetings or activities.

Section 5. Board and Staff Relationships

a. General Manager

- Implements Board policies, proposes new or modified Board policies, and manages day-to-day operations.
- Manages Staff and appoints the Board Secretary.
- The Board retains all authority to act on behalf of the District. The Board may, except as prohibited by law, delegate responsibility to the General Manager to establish policies and further the policies and goals established by the Board.
- All Board authority shall be exercised by the full Board, and no individual member exercises authority over the General Manager. The General Manager may address questions and provide information to individual members if related to District

business, can be undertaken without undue burden on Staff, and does not violate law or District policies and regulations.

- The Board will prepare performance evaluations, recommendations for compensation, and review job duties for the General Manager, with assistance from General Counsel.

b. General Counsel

- Provides legal counsel to the Board and District and reports to both the Board and the General Manager.
- Hired, evaluated, and terminated by the Board with assistance from the General Manager.
- Advises on legal compliance, ethics, and governance wherever deemed necessary or as requested or required by the Board.
- Assists the Board in complying with all applicable statutes and regulations.
- Provides legal counsel to the Board with respect to conflict-of-interest concerns.
- All Board authority shall be exercised cumulatively by the Board, and no individual Board member exercises such authority over the General Counsel. General Counsel may not be used for personal legal advice by individual Board members.

Section 6. Access to Internal Records

a. Directors may review District records for District-related business necessary for oversight and in accordance with confidentiality requirements.

b. Requests must go through General Counsel.

1. The General Manager will ensure requests are processed with consideration for staff workloads; any item requiring more than 10 business days will be communicated to the requestor.
2. Information requested by a Director will be provided to all Directors.

Section 7. Meeting Attendance

a. "Meeting" as used herein, includes regular, special, and emergency board meetings, hearings conducted by the Board and any other gathering of a quorum of the Directors that meets all the following requirements:
    1. The purpose of the meeting is to hear, discuss, deliberate, or act on any item that is within the subject jurisdiction of the Board (Government Code Section § 54952.2).
    2. Notice is given to each Director of the place, date, and time of the meeting.
    3. The meeting is open and public except to the extent that a closed session is permissible under the Ralph M. Brown Act (Government Code Section § 54940 et seq.).

Section 8. Director Compensation and Expenses

a. Reimbursement of Expenses
    - Directors will be reimbursed for necessary and reasonable expenses, including travel, incurred in performing service as a Director at the request of the Board in accordance with the District travel policy (Regulation No. 112).

b. Meeting Compensation
    - Directors will receive compensation in an amount not to exceed $100 per day for each day's attendance at meetings, not exceeding a total of six days in any calendar month (California Water Code Section § 30507).
    - Meetings as defined in section 8(a) will be compensated at a rate of $100.
    - Compensation for service outside of meetings:
        i. $50 if the service involves not more than four hours of elapsed time, including necessary travel, or a District Ad Hoc meeting.
        ii. $100 if the service involves more than four hours of elapsed time, including necessary travel.
    - Changes in compensation of Board members require approval of the Board during an open meeting held at least 60 days prior to the effective date of the change.

c. Approved Services

- The following activities/events are preapproved for all Board Members in attendance, including attendance virtually through teleconference or webinar or other means, to receive compensation:
    i. Association of California Water Agencies (ACWA) and ACWA Region 5 board, committee, and subcommittee meetings, conferences, and events.
    ii. California Special Districts Association (CSDA) board meetings, conferences, committee meetings, and quarterly dinner meetings.
    iii. Contra Costa Special Districts Association (CCSDA) board meetings, conferences, committee meetings, and annual fundraiser event.
    iv. State-mandated ethics and harassment training.
    v. Other District-required training, as assigned.
    vi. Legislative Days.
    vii. State and Federal legislature meetings that align with the current policy and interests of the Board.
    viii. Water education tours as approved by the General Manager.
- The following activities/events are preapproved for assigned liaisons in attendance, including attendance virtually through teleconference or webinar with *two-way participation enabled*, or other means, to receive compensation:
    i. Sustainable Groundwater Management Association committee meetings.
    ii. City of Oakley board meetings.
    iii. Contra Costa Water District board meetings.
    iv. Ironhouse Sanitary District board meetings.
    v. East County Water Management Association committee meetings.
    vi. ACWA JPIA committee meetings.
    vii. Ad Hoc Committee meetings as assigned.
    viii. Engagement with State and Federal elected officials as assigned by the Board.

- Board members may request authorization to attend and receive compensation for other meetings, events, and conferences that constitute the performance of official duties. Such approval shall be included in the current Fiscal Year budget and authorized by the Board in open session. These events include, but are not limited to:
    i. Tours of other agency facilities.
    ii. State of the county/city addresses.
    iii. Legislative roundtables/Events.
    iv. Public hearings.
    v. Project update meetings.
    vi. Other ACWA regional meetings and association dinners and lunches.
- The following activities/events are not eligible for reimbursement or compensation:
    i. Diablo Water District employee events, including but not limited to appreciation events.
    ii. Retirement receptions for District employees or Board members.
    iii. Other business events, unless pre-authorized by the Board in open session or the Board President and Vice President if the event will occur prior to the next Board meeting.

d. Reimbursement Process and Record Keeping
    - At the board meeting following attendance, each Board member will briefly report on relevant information for meetings or events attended, per Government Code Section § 53232.3. If multiple Board members attend, a joint report may be made. Reimbursement will occur in the payroll period in which services are reported.
    - Regular, special, and emergency board meetings will be reimbursed automatically and in the payroll period in which they are attended.
    - The Board Secretary will record attendance of reported service in the minutes as an official record for compensation.

e. Waiver of Compensation

- Directors will be paid in accordance with this Regulation unless an individual Director has provided a written request to the Board Secretary to waive compensation for meetings and/or District services rendered.

Section 9. Candidate Statements for Director Elections

a. This section is adopted in accordance with Section § 10012 of the Elections Code.
b. Candidates for Director may submit statements for inclusion in the County's voter pamphlet.
c. Statements shall not exceed the allowable maximum word count and spacing limitations set by the County's General Election candidate statement guidelines.
d. Each candidate who files a statement must pay the actual prorated cost for printing, handling, translating, and mailing. The candidate shall be required to pay the estimated amount of said cost at the time the statement is filed.
e. No additional campaign materials, other than the candidate's statement, will be mailed with the sample ballot.

Section 10. Director Vacancies

a. Whenever a Director vacancy occurs, it shall be filled in accordance with Government Code Section § 1780 by a qualified person, who resides in, and is otherwise eligible to represent, the division in which the vacancy occurred.

Resolution No. 2025 – 19

A RESOLUTION OF THE BOARD OF DIRECTORS OF DIABLO WATER DISTRICT AMENDING DISTRICT REGULATION NUMBER 101

WHEREAS, the District has Administrative Regulations for the effective and efficient operation of the District;

WHEREAS, periodically these regulations need to be updated to reflect current statutes and industry trends; and

WHEREAS, these regulations pertain to the Board of Directors and their role and responsibilities; and

WHEREAS, Staff, General Counsel, and the Board have reviewed and provided suggested updates as shown in the Attachment, herein referenced and incorporated;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Diablo Water District hereby:

1. Update District Regulation 101 as shown in Attachment.

* * * * *

I certify that the foregoing is a true and complete copy of a resolution duly adopted by the Board of Directors of Diablo Water District at a special meeting thereof, held on December 10, 2025, by the following vote:

AYES:

NOES:

ABSENT:

DATED: December 10, 2025

_____

Kait Knight, Secretary

DIABLO WATER DISTRICT

December 10, 2025 Board Meeting

Item Number 12

TO: Each Director

FROM: Dan Muelrath, General Manager

SUBJECT: District Officers and Committee Positions.

Subject to the amendment of Regulation 101 in Item 11, this item is agendized to allow the Board to perform confirmations or reassignments of the Officers, Committees, and Ad hoc positions.

RECOMMENDATION:

Perform confirmations or reassignments in accordance with Regulation 101 in its current form as of this agenda item.

Dan Muelrath
Dan Muelrath
General Manager

Attachment: List of officers and committee assignments

Diablo Water District Officers and Committee Assignments

Officers:

- President: Director Tiernan
- Vice President: Director Shaw

Committee and Liaison Assignments:

- City of Oakley: Director Tiernan
- City of Oakley Planning Commission: Director Moats
- Ironhouse Sanitary District: Director Seger
- Contra Costa Water District: Director Kovalick
- East County Water Management Association: Director Shaw
- ACWA/JPIA Insurance: Director Tiernan
- East Contra Costa SGMA Working Group: Director Tiernan
- Contra Costa Special District Association: Vacant

Ad Hocs:

- Jersey Island Land Transaction (vacant – established November 19, 2025)
    - Purpose: Work with Staff to review all relevant due diligence items and participate in funding outreach and engagement activities
    - Duration: Term of purchase and sale agreement
    - Staff recommends splitting this into two ad hocs
        - Due diligence and technical reviews
        - Funding, outreach, and engagement
- Recycled Water (Director Seger and Director Kovalick)
    - Purpose: Work with ISD ad hoc to find beneficial recycled water projects
    - Duration: Currently tied to signing sub awardee grant agreement
- Public Relations (Director Tiernan and Director Kovalick)
    - Purpose: Assist in review of 3-year strategic plan
    - Duration: Presentation of plan to full Board

DIABLO WATER DISTRICT
December 10, 2025 Board Meeting
Item Number 13

TO: Each Director

FROM: Dan Muelrath, General Manager

SUBJECT: General Manager's Report.

Items included for discussion:

- Water Supply Charts.
  - Statewide Reservoirs.
    - Los Vaqueros Reservoir = 144,000 AF – 90.0% full (90.6% last month).
  - Total Water Demand.
  - Local Well Production.
- Overview of RBWTP Site Visit.
  - December 8th visit for comprehensive master plan effort.

RECOMMENDATION:

Discuss.

Dan Muelrath

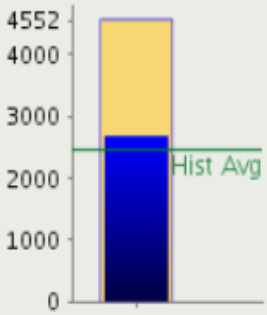
Dan Muelrath
General Manager

Attachments: Statewide Reservoir Conditions
Total Water Demand
Local Well Production

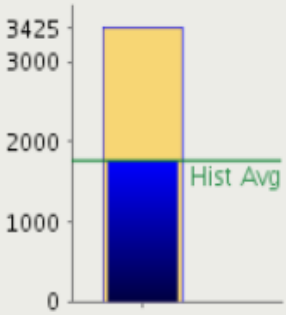
CURRENT CONDITIONS: MAJOR WATER SUPPLY RESERVOIRS:30-NOV-2025

Data as of Midnight: 30-Nov-2025

Change Date: 30-Nov-2025



Shasta
59% | 110%
(Total Cap.) | (Hist. Avg.)



Oroville
51% | 100%
(Total Cap.) | (Hist. Avg.)



New Bullards Bar
62% | 106%
(Total Cap.) | (Hist. Avg.)



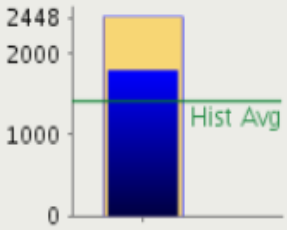
Folsom
47% | 118%
(Total Cap.) | (Hist. Avg.)

LEGEND

Blue Bar: Storage level for date
Gold Bar: Total reservoir capacity
Green Line: Historic level for date.



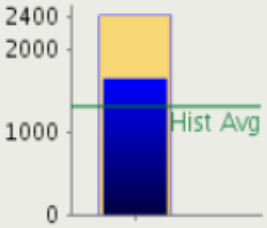
% of Capacity | **% Hist. Avg.**
(Click res. 3 char. code for details)



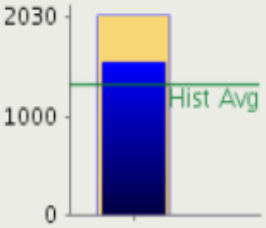
Trinity
73% | 128%
(Total Cap.) | (Hist. Avg.)



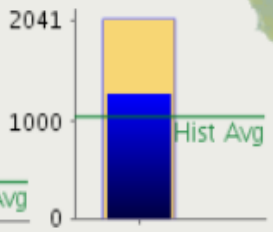
Camanche
71% | 121%
(Total Cap.) | (Hist. Avg.)



New Melones
69% | 127%
(Total Cap.) | (Hist. Avg.)



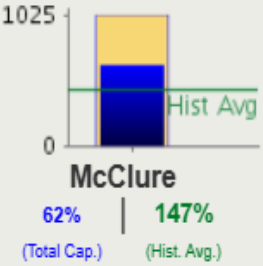
Don Pedro
77% | 116%
(Total Cap.) | (Hist. Avg.)



San Luis
63% | 122%
(Total Cap.) | (Hist. Avg.)



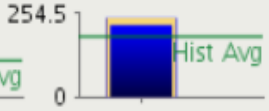
Sonoma
58% | 114%
(Total Cap.) | (Hist. Avg.)



McClure
62% | 147%
(Total Cap.) | (Hist. Avg.)



Cachuma
77% | 124%
(Total Cap.) | (Hist. Avg.)



Casitas
91% | 121%
(Total Cap.) | (Hist. Avg.)



Castaic
77% | 101%
(Total Cap.) | (Hist. Avg.)



Diamond Valley
94% | 136%
(Total Cap.) | (Hist. Avg.)



Millerton
59% | 131%
(Total Cap.) | (Hist. Avg.)



Pine Flat
31% | 102%
(Total Cap.) | (Hist. Avg.)

Click to download printable version of current data.

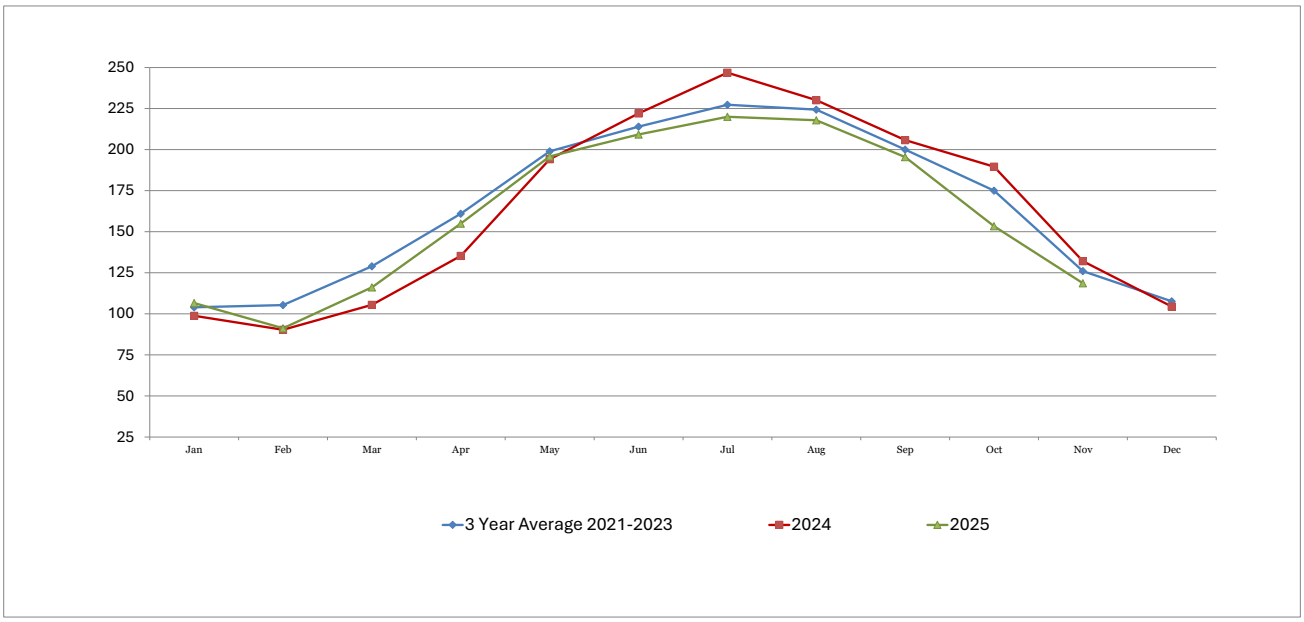
Report Generated: 01-Dec-2025 3:55 PM

The CSI link has been disabled to zoom in, for the lack of historical data.

DIABLO WATER DISTRICT

WATER USE IN MILLION GALLONS

(This chart does not include Utility Water)



	Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec	Average
3 Year Average	104	105	129	161	199	214	227	224	200	175	126	108	164
2024 Usage	99	90	106	135	194	222	247	230	206	190	132	104	163
2025 Usage	107	91	116	155	196	209	220	218	196	153	119		162
% Reduction (+/-)	-7.3%	-1.0%	-9.1%	-12.7%	-0.9%	6.1%	12.2%	5.6%	5.3%	23.6%	11.3%		3.0%
Connections 2025 vs. 2024	0.9%	1.1%	1.0%	0.9%	0.9%	1.0%	1.1%	1.2%	1.3%	1.4%	1.4%		1.1%

WELL WATER BLENDED INTO DISTRIBUTION SYSTEM
MILLION GALLONS(MG)

	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
1	1.102	1.031	1.102	0.894	0.603							
2	1.054	0.964	1.008	0.954	0.753							
3	1.100	0.989	1.016	0.611	0.713							
4	1.008	0.954	1.025	0.841	0.818							
5	0.846	0.652	0.992	0.793	0.651							
6	1.087	1.053	0.990	0.905	0.655							
7	1.044	1.087	0.900	0.858	0.726							
8	0.782	1.000	1.038	0.973	0.723							
9	1.101	0.986	0.965	0.893	0.661							
10	1.067	0.901	1.013	0.865	0.740							
11	1.032	1.103	0.968	0.847	0.829							
12	1.015	1.101	0.994	0.806	0.701							
13	0.959	1.012	0.962	0.934	0.647							
14	1.101	1.037	0.854	0.684	0.578							
15	1.079	1.034	1.101	0.660	0.564							
16	0.989	0.996	0.996	0.645	0.607							
17	1.022	0.960	1.096	0.639	0.554							
18	1.077	1.101	0.965	0.695	0.594							
19	0.816	0.954	1.098	0.622	0.599							
20	1.045	1.101	0.858	0.723	0.471							
21	1.072	1.124	0.929	0.715	0.515							
22	0.934	1.101	1.093	0.829	0.583							
23	1.065	0.979	0.931	0.640	0.465							
24	0.983	0.961	1.081	0.740	0.621							
25	1.063	1.034	0.872	0.683	0.538							
26	0.971	1.005	0.895	0.629	0.562							
27	0.930	1.030	0.988	0.739	0.603							
28	1.101	0.965	0.784	0.719	0.573							
29	0.956	1.076	0.944	0.730	0.564							
30	1.100	0.985	0.941	0.718	0.595							
31	1.056	0.926		0.476								
TOTAL	31.5551	31.2006	29.3971	23.4568	18.8073	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Jul-25 to Jan-26 at $2960.00/MG	**134.4169**	**MG**
Feb-26 to Jun-26 at $2960.00/MG	**0.0000**	**MG**
GRAND TOTAL:	**134.4169**	**MG**

FY 25/26	**SAVINGS**	**$ 397,873.88**
FY 24/25	**SAVINGS**	**$ 811,494.05**
FY 23/24	**SAVINGS**	**$ 740,729.67**
FY 22/23	**SAVINGS**	**$ 529,110.41**
FY 21/22	**SAVINGS**	**$ 210,402.64**
FY 20/21	**SAVINGS**	**$ 278,518.31**
FY 19/20	**SAVINGS**	**$ 679,590.16**
FY 18/19	**SAVINGS**	**$ 614,245.45**
FY 17/18	**SAVINGS**	**$ 634,030.91**
FY 16/17	**SAVINGS**	**$ 444,895.41**
FY 15/16	**SAVINGS**	**$ 397,766.92**
FY 14/15	**SAVINGS**	**$ 580,430.65**
FY 13/14	**SAVINGS**	**$ 509,579.93**
FY 12/13	**SAVINGS**	**$ 382,228.02**
FY 11/12	**SAVINGS**	**$ 637,659.61**
FY 10/11	**SAVINGS**	**$ 590,057.39**
FY 09/10	**SAVINGS**	**$ 496,279.31**
FY 08/09	**SAVINGS**	**$ 371,579.65**
FY 07/08	**SAVINGS**	**$ 486,615.14**
FY 06/07	**SAVINGS**	**$ 326,985.06**
TOTAL SAVINGS IN WATER PURCHASES FROM CCWD TO DATE		**$ 8,169,974.98**

WELL WATER BLENDED INTO DISTRIBUTION SYSTEM
MILLION GALLONS(MG)

	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
1	1.172	1.116	0.945	1.009	0.789	0.525	0.000	0.319	0.534	0.579	0.909	0.988
2	1.236	1.115	1.070	0.980	0.670	0.507	0.000	0.583	0.610	0.640	0.939	1.066
3	1.193	1.104	1.065	1.036	0.787	0.284	0.000	0.510	0.539	0.600	0.933	1.083
4	1.236	1.049	1.075	0.971	0.845	0.000	0.225	0.509	0.626	0.718	0.747	1.044
5	1.236	1.183	1.012	0.968	0.783	0.000	0.000	0.449	0.556	0.664	1.081	1.101
6	1.162	1.105	1.125	0.927	0.767	0.000	0.000	0.495	0.517	0.764	0.904	1.054
7	1.121	1.210	1.000	0.981	0.861	0.000	0.001	0.505	0.588	0.845	0.993	1.100
8	1.236	0.955	0.933	0.991	0.836	0.000	0.191	0.428	0.612	0.719	0.941	0.916
9	1.237	1.236	1.105	0.917	0.766	0.021	0.390	0.522	0.579	0.839	1.103	1.103
10	1.173	1.054	0.981	0.971	0.635	0.296	0.468	0.563	0.674	0.769	1.059	1.103
11	1.236	0.972	1.125	0.930	0.788	0.317	0.496	0.510	0.622	0.979	0.799	1.102
12	1.237	1.168	0.927	0.898	0.668	0.416	0.504	0.497	0.661	0.692	1.013	1.044
13	1.088	1.051	1.125	0.899	0.419	0.000	0.590	0.517	0.511	0.834	0.937	1.103
14	1.052	1.171	0.965	0.879	0.743	0.000	0.504	0.449	0.561	1.077	1.046	1.101
15	1.138	1.078	0.916	0.919	0.717	0.000	0.554	0.437	0.497	0.761	1.047	1.041
16	1.128	1.206	0.985	1.084	0.645	0.000	0.562	0.499	0.530	1.030	0.967	1.087
17	1.202	1.000	0.982	1.038	0.693	0.000	0.523	0.527	0.648	0.798	0.898	1.104
18	1.084	1.000	1.049	1.060	0.781	0.000	0.438	0.534	0.449	0.911	0.996	1.109
19	1.237	1.129	0.924	0.913	0.704	0.000	0.617	0.492	0.634	0.852	1.104	1.102
20	1.072	1.071	1.072	0.976	0.670	0.000	0.587	0.512	0.462	0.778	1.063	1.035
21	1.079	1.140	0.949	0.984	0.659	0.000	0.537	0.493	0.673	1.104	1.104	0.933
22	1.237	1.028	0.917	1.001	0.591	0.000	0.644	0.570	0.785	0.821	1.102	0.985
23	1.138	1.085	0.964	0.968	0.661	0.000	0.519	0.547	0.449	1.005	1.101	1.103
24	1.236	1.019	1.018	1.018	0.353	0.000	0.624	0.533	0.820	0.839	0.945	1.101
25	1.078	0.960	1.080	0.988	0.721	0.000	0.614	0.555	0.581	1.004	0.926	0.959
26	1.236	1.187	0.944	1.036	0.559	0.000	0.502	0.580	0.760	0.802	1.086	1.101
27	0.896	0.993	0.943	0.841	0.535	0.000	0.609	0.551	0.673	0.701	1.057	1.023
28	1.236	1.225	1.001	0.999	0.618	0.000	0.567	0.539	0.670	0.770	1.104	1.048
29	1.027	0.987	0.933	0.918	0.596	0.000	0.569		0.610	0.424	1.036	0.964
30	1.080	1.125	0.933	0.906	0.488	0.000	0.547		0.593	0.981	1.103	1.101
31	0.111	1.018		0.801		0.000	0.513		0.702		1.102	
TOTAL	34.8280	33.7419	30.0595	29.8065	20.3435	2.3667	12.8939	14.2203	18.7220	24.3008	31.1439	31.7018

Jul-24 to Jan-25 at $2780.00/MG	**164.0400**	**MG**
Feb-25 to Jun-25 at $2960.00/MG	**120.0888**	**MG**
GRAND TOTAL:	**284.1288**	**MG**

FY 24/25	**SAVINGS**	**$ 811,494.05**
FY 23/24	**SAVINGS**	**$ 740,729.67**
FY 22/23	**SAVINGS**	**$ 529,110.41**
FY 21/22	**SAVINGS**	**$ 210,402.64**
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TOTAL SAVINGS IN WATER PURCHASES FROM CCWD TO DATE		**$ 8,169,974.98**

MONTHLY WELL NUMBERS

Million Gallons (MG)

DATE	GLEN PARK	STONECREEK
11/01/25	0.6121	0.0000
11/02/25	0.7571	0.0000
11/03/25	0.7176	0.0254
11/04/25	0.8222	0.0000
11/05/25	0.6557	0.0253
11/06/25	0.6595	0.0000
11/07/25	0.7302	0.0255
11/08/25	0.7278	0.0000
11/09/25	0.6656	0.0000
11/10/25	0.7447	0.0254
11/11/25	0.8333	0.0000
11/12/25	0.7054	0.0253
11/13/25	0.6519	0.0000
11/14/25	0.5828	0.0251
11/15/25	0.5729	0.0000
11/16/25	0.6118	0.0000
11/17/25	0.5587	0.0255
11/18/25	0.5984	0.0000
11/19/25	0.6034	0.0254
11/20/25	0.4756	0.0000
11/21/25	0.5243	0.0253
11/22/25	0.5870	0.0000
11/23/25	0.4699	0.0000
11/24/25	0.6250	0.0254
11/25/25	0.5426	0.0000
11/26/25	0.5666	0.0258
11/27/25	0.6078	0.0000
11/28/25	0.5779	0.0258
11/29/25	0.5688	0.0000
11/30/25	0.5992	0.0000
Totals	**18.9558**	**0.3052**
Combined Totals		**19.261**

DIABLO WATER DISTRICT
December 10, 2025 Board Meeting
Item Number 14

TO: Each Director

FROM: Dan Muelrath, General Manager

SUBJECT: District Engineer's Report.

The District Engineer will provide an update on:

- Projects that have made significant progress month-over-month.

RECOMMENDATION:

Discuss.

Dan Muelrath

Dan Muelrath
General Manager

Attachment: Construction List

Quality Integrity

Development Status Report

Link to Development List-Project Information

Project Description	Location	Type of Project	Number and Size of Connections	Project Status	FIA Status	Additional Notes (see footer for detail)	Percent Facilities Intallation Complete
Elm Lane Apartments	Elm Lane, Oakley	Multi-Family	One 4" Domestic and One 1 1/2" Irrigation	Finalizing Paperwork for Final Acceptance	Board Approved	--	99%
9426 - Delta Coves Marina - Fire Services	West Wind Place, Bethel Island	Commercial	Three 1-1/2" Irrigation Services; Five 2" services for the Docks	Waiting for Plan Revisions and As-Builts	Board Approved	--	98%
9426 - Delta Coves Marina - Cottages - Pulte Homes	West Wind Place, Bethel Island	Subdivision/Condos	64 Services (1" for fire sprinklers) and Two 1 1/2" Irrigation Services	Punchlist Items Complete: Awaiting As-Builts	Board Approved	--	98%
CIP 280	Laurel Rd at O' Hara	Road Widening	1 Irrigation Connection	Waiting for As-Builts	FIA Not Required-only 1 service	--	98%
9307 - Summer Lake North-Backbone	North of E. Cypress Road; East of Bethel Island Road	Subdivision	Backbone Infrastructure for Future Subdivisions; Services for Irrigation	Finalizing Punchlist Items	Board Approved	RW, GWMW, CN	97%
9615 Machado Lane - Cosetti Property	APNs 033-190-003 & 033-190-004	Subdivision	76 Lots (1" services for fire sprinklers)	Finalizing Punchlist Items	Board Approved	GWMW	97%
9616 Summer Lake North Phase 1 Village 1	North of E. Cypress Road; East of Bethel Island Road	Subdivision	88 Lots (1" services for fire sprinklers)	Finalizing Punchlist Items	Board Approved	RW, GWMW, CN	97%
9617 Summer Lake North Phase 1 Village 2	North of E. Cypress Road; East of Bethel Island Road	Subdivision	52 Lots (1" services for fire sprinklers)	Finalizing Punchlist Items	Board Approved	RW, GWMW, CN	97%
9619 Summer Lake North Phase 1 Village 4	North of E. Cypress Road; East of Bethel Island Road	Subdivision	63 Lots (1" services for fire sprinklers)	Waiting for Punchlist and As-Builts	Board Approved	RW, GWMW, CN	95%

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CN = Carbon Neutrality (solar offset of pump station and/or building)

Updated 12/2/2025

Development Status Report

Project Description	Location	Type of Project	Number and Size of Connections	Project Status	FIA Status	Additional Notes (see footer for detail)	Percent Facilities Intallation Complete
Oakley Shops at Laurel Field	Laurel Rd at O' Hara	Commercial/Safeway	1-1.5", 1-2", 1-3" domestic services; 1-1.5" irrigation service; 2-8" fire services	Almost finished with Punchlist items	Board Approved	--	95%
9614 Sellers Avenue	South of E. Cypress Road; West of Sellers Avenue	Subdivision	77 Lots (1" services for fire sprinklers)	Punchlist under development	Board Approved	--	90%
8760 - Stonewood 1B	West of Rose Ave; south of Longhorn Way; North of Carpenter Road	Subdivision	133 Lots (1" services for fire sprinklers)	Punchlist under development	Board Approved	GWMW	85%
9622 Summer Lake North Phase 1 Village 7	North of E. Cypress Road; East of Bethel Island Road	Subdivision	86 Lots (1" services for fire sprinklers)	Punchlist under development	Board Approved	RW, GWMW, CN	85%
Emerson Ranch Commercial - Phase 1	Cypress Road at Sellers Avenue	Commercial	One 2" domestic, one 1" irrigation, and one 8" fire services	Construction Underway	Board Approved	--	70%
CIP 247	E. Cypress Road, East of Knightsen Avenue	Road Widening/ Realignment	1 Irrigation Connection and Extension of 20" Waterline	First Pressure Test Passed. Waiting for final construction activities	FIA Planned for Upcoming Board Meeting	--	65%
9618 Summer Lake North Phase 1 Village 3	North of E. Cypress Road; East of Bethel Island Road	Subdivision	54 Lots (1" services for fire sprinklers)	Construction Underway	Board Approved	RW, GWMW, CN	60%
8787 Rosewood Subdivision	4073 Rose Avenue, Oakley	Subdivision	61 Lots (1" services for fire sprinklers)	Construction Underway. 1st pressure test forthcoming	Board Approved	--	60%
9557 Burroughs Property	E. Cypress Road & Knightsen Avenue	Subdivision	208 Lots (1" services for fire sprinklers)	Construction Underway	Board Approved	GWMW	50%
CIP 310	E. Cypress Road, Canal Crossing to Jersey Island Rd	Road Widening/ Realignment	No Connections	Submittals Complete. Awaiting start of field installation.	Future Board Meeting	--	25%

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Development Status Report

Project Description	Location	Type of Project	Number and Size of Connections	Project Status	FIA Status	Additional Notes (see footer for detail)	Percent Facilities Intallation Complete
9621 Summer Lake North Phase 1 Village 6	North of E. Cypress Road; East of Bethel Island Road	Subdivision	55 Lots (1" services for fire sprinklers)	Submittals under review. Awaiting start date	Board Approved	RW, GWMW, CN	20%
CIP 302	E. Cypress Road, East of Jersey Island Rd	Road Widening/ Realignment	No Connections	Submittal Reviews Underway	Future Board Meeting	--	10%
Live Oak Industrial Park	Live Oak Avenue; between Main St and Oakley Rd	Industrial Facilities; 8 buildings	8 Buildings (4-1" potable services; 1-1" irrigation service; 1-8" fire service)	Starting to review submittals	Board Approved	--	5%
9620 Summer Lake North Phase 1 Village 5	North of E. Cypress Road; East of Bethel Island Road	Subdivision	79 Lots (1" services for fire sprinklers)	Waiting for Project Start Date	Board Approved	RW, GWMW, CN	0%
8803 - Brownstone (Clyde Miles Construction)	Brownstone Road, Oakley	Subdivision	50 Lots (1" services for fire sprinklers)	Waiting to start Submittal Review	Board Approved	GWMW	0%
6013 - BIRS Bethel Island Res. & Pump Station	Delta Coves Project, Bethel Island	Reservoir & Pump Station for Delta Coves	No Connections	Under Design and DWD Plan Review	Future Board Meeting	CN	0%
637 Brownstone Road	APN 034-170-006; Brownstone Rd; east of O'Hara Ave.	Subdivision	Pending	City Planning Stage/On Hold	Future Board Meeting	--	0%
6610 - Spinnaker Cove	Cypress Road to Sandmound Blvd	Subdivision	Pending	Planning Stage	Future Board Meeting	--	0%
8807 - Villa Grove	2080 O'Hara Avenue	Subdivision	35 Lots (1" services for fire sprinklers)	Under DWD Plan Review	Future Board Meeting	--	0%
9088 - Cedarwood	4192 Live Oak Avenue (Near Knox Lane)	Subdivision	34 Lots (1" services for fire sprinklers)	City Planning Stage	Future Board Meeting	--	0%

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Updated 12/2/2025

Development Status Report

Project Description	Location	Type of Project	Number and Size of Connections	Project Status	FIA Status	Additional Notes (see footer for detail)	Percent Facilities Intallation Complete
9156 - Bethel Island LLC (Biggs) (Part of Cypress Preserve)	South of Summer Lake South, Rock Slough, Oakley	Subdivision	195 Apt Units (1" services for fire sprinklers)	Under DWD Plan Review	Future Board Meeting	RW, GWMW, CN	0%
9183 Stonewood 3	SE & SW Corners of Carpenter Rd/Simoni Ranch Rd and Rose Avenue	Subdivision	31 Lots (1" services for fire sprinklers)	City Planning Stage/On Hold	Future Board Meeting	--	0%
9311 KT-KB Oakley, LLC (Part of Cypress Preserve)	APN 032-082-001; East of Jersey Island Road; North of East Cypress Road	Subdivision	276 Lots (1" services for fire sprinklers)	Under DWD Plan Review	Future Board Meeting	RW, GWMW, CN	0%
9404 - Lesher Property (Part of Cypress Preserve)	Northwest corner of Bethel Island & East Cypress Road	Subdivision	1056 Lots (1" services for fire sprinklers)	Under DWD Plan Review	Future Board Meeting	RW, GWMW, CN	0%
9488 Castro Property	East side of Machado Ln; South of East Cypress Road	Subdivision	10 Lots (1" services for fire sprinklers)	City Planning Stage/On Hold	Future Board Meeting	--	0%
9534 - Stonewood 3 Unit 2	West of Rose Ave; south of Longhorn Way' North of Carpenter Road	Subdivision	21 Lots (1" services for fire sprinklers)	Under DWD Plan Review	Future Board Meeting	--	0%
9537 - 2480 Oakley Road	2480 Oakley Road, near Live Oak Avenue, Oakley	Subdivision	22 Lots (1" services for fire sprinklers)	City Planning Stage/On Hold	Future Board Meeting	--	0%
9579 Honey/Creekside Subdivision	463 & 560 Honey Lane	Subdivision	57 Lots (1" services for fire sprinklers)	Under DWD Plan Review	Future Board Meeting	GWMW	0%
9624 Grand Cypress Preserve Ph. 1 Village 1 R-21	South of E. Cypress Road; West of Bethel Island Road	Subdivision	83 Lots (1" services for fire sprinklers)	Under DWD Plan Review	Future Board Meeting	RW, GWMW, CN	0%
9625 Grand Cypress Preserve Ph. 1 Village 1 R-22	South of E. Cypress Road; West of Bethel Island Road	Subdivision	111 Lots (1" services for fire sprinklers)	Under DWD Plan Review	Future Board Meeting	RW, GWMW, CN	0%

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Updated 12/2/2025

Development Status Report

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9626 Grand Cypress Preserve Ph. 1 Village 1 R-25	South of E. Cypress Road; West of Bethel Island Road	Subdivision	65 Lots (1" services for fire sprinklers)	Under DWD Plan Review	Future Board Meeting	RW, GWMW, CN	0%
9627 Grand Cypress Preserve Ph. 1 Village 1 R-26	South of E. Cypress Road; West of Bethel Island Road	Subdivision	78 Lots (1" services for fire sprinklers)	Under DWD Plan Review	Future Board Meeting	RW, GWMW, CN	0%
Brownstone and Main Commercial Development	Brownstone and Main Street	Commercial/ Restaurant/ Retail/Car Wash	Pending	City Planning Stage/On Hold	Future Board Meeting	GWMW	0%
East Cypress Road Precise Alignment (Part of Cypress Preserve)	East Cypress Road; Between Knightsen Ave. and Bethel Island Road	Subdivision	Pending	Under DWD Plan Review	Future Board Meeting	--	0%
IBN Sina Community Center	Oakley Road and Neroly Road	Public Assembly/Residential	Pending	City Planning Stage/On Hold	Future Board Meeting	--	0%
Live Oak and Main Street	Live Oak Avenue and Main Street	Subdivision	49 Lots (1" services for fire sprinklers)	City Planning Stage/On Hold	Future Board Meeting	--	0%
Oakley Village	West of Sellers Road	Subdivision	42 Lots (1" services for fire sprinklers)	City Planning Stage/On Hold	Future Board Meeting	--	0%
The Honey Lane Development	637 Honey Lane, Oakley (adjacent to Marsh Creek)	Subdivision	19 Lots (1" services for fire sprinklers)	Under DWD Plan Review	Future Board Meeting	--	0%

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Updated 12/2/2025

DIABLO WATER DISTRICT

December 10, 2025 Board Meeting

Item Number 15

TO: Each Director

FROM: Dan Muelrath, General Manager

SUBJECT: District Counsel's Report.

District Counsel will provide any relevant updates regarding legislative, regulatory, and/or court case matters.

RECOMMENDATION:

Receive.

Dan Muelrath

Dan Muelrath
General Manager

DIABLO WATER DISTRICT
December 10, 2025 Board Meeting
Item Number 16

TO: Each Director

FROM: Dan Muelrath, General Manager

SUBJECT: Directors' Reports.

Representative assignments verbal reports:

- City of Oakley – Director Tiernan
- Ironhouse Sanitary District – Director Seger
- Contra Costa Water District – Director Kovalick
- ECWMA – Director Shaw
- City of Oakley Planning Commission – Director Moats

Ad hoc reports:

- Report as needed

Additional reports:

- ACWA/JPIA Fall Member Summit – Director Moats

RECOMMENDATION:

Discuss.

Dan Muelrath

Dan Muelrath
General Manager

DIABLO WATER DISTRICT
December 10, 2025 Board Meeting
Item Number 17

TO: Each Director

FROM: Dan Muelrath, General Manager

SUBJECT: Future Agenda Items.

January 12, 2026 – Strategic Planning Session	
Marsh Creek Options	Discussion
Conferences	Discussion
Interagency Collaboration	Discussion
Meeting Efficiencies	Discussion
Public Information Strategic Plan	Presentation
Contract for ESA Phase 1 & 2	Action
January 28, 2026	
Change of Banking Services Vendor	Action
Cell Tower Lease Renewal	Action
District Regulations Update	Action
Purchasing and Contracting-Related Regulations Updates	Action
Good Governance Refresher	Discussion
February 25, 2026	
FY 2026/27 Budget Policy Priorities	Discussion
Credit Card Fee Options	Discussion
Other Items	**Future Date**
Cross-Connection Control Plan Update	Once Adopted by State
Sub-Awardee Approval for Recycled Water Grant via EPA / Ironhouse	TBD

Integrity