

**PRELIMINARY OFFICIAL STATEMENT DATED JUNE \_\_, 2021**

**BOOK-ENTRY ONLY**

**RATINGS:** See “RATINGS.”

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the Authority subject, however to certain qualifications described herein, under existing law, the interest on the 2021 Obligations is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS” herein.*

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SAN MATEO-FOSTER CITY  
PUBLIC FINANCING AUTHORITY  
2021 WASTEWATER REVENUE NOTES, SERIES A  
(ESTERO MUNICIPAL IMPROVEMENT DISTRICT)

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SAN MATEO-FOSTER CITY  
PUBLIC FINANCING AUTHORITY  
2021 WASTEWATER REVENUE NOTES, SERIES B  
(CITY OF SAN MATEO)

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SAN MATEO-FOSTER CITY  
PUBLIC FINANCING AUTHORITY  
2021 WASTEWATER REVENUE BONDS, REFUNDING SERIES A  
(CITY OF SAN MATEO)

**Dated: Date of Issuance**

**Due: August 1, as shown on inside cover page**

The San Mateo-Foster City Public Financing Authority (the “Authority”), a joint exercise of powers authority established pursuant to an agreement between the City of San Mateo (the “City”) and the Estero Municipal Improvement District (the “District,” and together with the City, the “Members”), is issuing \$ \_\_\_\_\_\* principal amount of San Mateo-Foster City Public Financing Authority 2021 Wastewater Revenue Notes, Series A (Estero Municipal Improvement District) (the “2021 District Notes”), \$ \_\_\_\_\_\* principal amount of San Mateo-Foster City Public Financing Authority 2021 Wastewater Revenue Notes, Series B (City of San Mateo) (the “2021 City Notes”) and \$ \_\_\_\_\_\* principal amount of San Mateo-Foster City Public Financing Authority 2021 Wastewater Revenue Bonds, Refunding Series A (City of San Mateo) (the “2021 City Refunding Bonds”; together with the 2021 City Notes, the “2021 City Obligations”; and the 2021 City Bonds together with the 2021 District Notes, the “2021 Obligations”) for the purposes described under the headings entitled “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS.”

The 2021 District Notes will be issued under the provisions of Article 4 (commencing with Section 6584) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “Bond Law”) and secured pursuant to the terms of an Indenture of Trust, dated as of June 1, 2021 (the “District Note Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

The 2021 District Notes are special obligations of the Authority payable solely from and secured by a first lien on, pledge of and security interest in all District Note Revenues, including certain other moneys and securities held by the Trustee as provided in the District Note Indenture. District Note Revenues consist primarily of amounts payable by the District to the Authority pursuant to the Financing Agreement, dated as of June 1, 2021 (the “District Financing Agreement”) between the Authority and the District. Payments made by the District pursuant to the District Financing Agreement (the “District Payments”) represent the debt service on the 2021 District Notes. Pursuant to the District Financing Agreement, the District pledges the Net Revenues of the District Wastewater Enterprise (as defined herein) as security for its obligation to make District Payments.

The 2021 City Obligations will be issued under the provisions of Article 4 (commencing with Section 6584) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “Bond Law”) and secured pursuant to the terms of an Indenture of Trust, dated as of June 1, 2021 (the “City Obligation Indenture”; each of the City Obligation Indenture and District Note Indenture is referred to herein as an “Indenture”), by and between the Authority and the Trustee.

The 2021 City Obligations are special obligations of the Authority payable solely from and secured by a first lien on, pledge of and security interest in all City Obligation Revenues, including certain other moneys and securities held by the Trustee as provided in the City Obligation Indenture. City Obligation Revenues consist primarily of amounts payable by the City to the Authority pursuant to the Financing Agreement, dated as of June 1, 2021 (the “City Financing Agreement”; each of the City Financing Agreement and District Financing Agreement is referred to herein as a “Financing Agreement”) between the Authority and the City. Payments made by the City pursuant to the City Financing Agreement (the “City Payments”; each of the City Payments and District Payments are referred to herein as the “Authority Bond Payments”) represent the debt service on the 2021 City Obligations. Pursuant to the City Financing Agreement, the City pledges the Net Revenues of the San Mateo Sewer Enterprise (as defined herein) as security for its obligation to make City Payments.

Under no circumstances is either Member required to advance money derived from any source of income other than its respective Net Revenues, and neither Member is obligated to pay the Authority Bond Payments of the other Member. There is no cross-collateralization of the two Members’ obligations to make Payments under their respective Financing Agreements. See “THE SAN MATEO SEWER ENTERPRISE” and “THE DISTRICT WASTEWATER ENTERPRISE.” The obligation of each Member under its Financing Agreement to pay its Authority Bond Payments from Net Revenues is absolute and unconditional. See “SECURITY AND SOURCES OF PAYMENT FOR THE AUTHORITY BOND PAYMENTS–Nature of the Authority Bond Payments Obligation–*No Cross-Collateralization.*” Furthermore, there is no cross-collateralization of the 2021 District Notes and 2021 City Obligations.

The obligation of the District to make the District Payments to the Authority from Net Revenues of the District Wastewater Enterprise is on parity with certain outstanding obligations of the District.

The obligation of the City to make the City Payments to the Authority from Net Revenues of the San Mateo Sewer Enterprise is on parity with certain outstanding obligations of the City.

**No debt service reserve fund will be established for the 2021 Obligations under either Indenture or either Financing Agreement.**

The 2021 Obligations will be issued in book-entry form only, in authorized denominations of \$5,000 and integral multiples thereof and will be initially issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the 2021 Obligations. Purchasers will not receive certificates representing their interests in the 2021 Obligations. Payments of principal of and interest on the 2021 Obligations will be made by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the 2021 Obligations. See APPENDIX E–“DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

The principal of the 2021 Obligations is payable on August 1 of each year as set forth on the inside cover page hereof. Interest on the 2021 Obligations is payable semiannually on each February 1 and August 1, commencing February 1, 2022.

**The 2021 District Notes and 2021 City Notes are not subject to redemption prior to maturity. The 2021 City Refunding Bonds are subject to optional and mandatory redemption as more fully described herein. See “THE 2021 DISTRICT NOTES –Redemption Provisions” and “THE 2021 CITY OBLIGATIONS –Redemption Provisions.”**

THE 2021 DISTRICT NOTES ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED BY A FIRST LIEN AND PLEDGE AND SECURITY INTEREST IN ALL OF THE DISTRICT NOTE REVENUES, CONSISTING PRIMARILY OF DISTRICT PAYMENTS. THE 2021 CITY OBLIGATIONS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED BY A FIRST LIEN AND PLEDGE AND SECURITY INTEREST IN ALL OF THE CITY OBLIGATION REVENUES, CONSISTING PRIMARILY OF CITY PAYMENTS. THE 2021 OBLIGATIONS ARE NOT A DEBT OF THE AUTHORITY OR THE STATE OF CALIFORNIA WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. THE AUTHORITY SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE 2021 OBLIGATIONS, EXCEPT FROM THE FUNDS PROVIDED UNDER THE APPLICABLE INDENTURE. THE FULL FAITH AND CREDIT OF THE AUTHORITY IS NOT PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUMS (IF ANY) ON THE 2021 OBLIGATIONS. THE 2021 OBLIGATIONS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE DISTRICT NOTE REVENUES OR CITY OBLIGATION REVENUES AND SUCH OTHER MONEYS AND SECURITIES AS PROVIDED IN THE APPLICABLE INDENTURE.

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**MATURITY SCHEDULE**

(See inside cover page)

This cover page contains information for quick reference only. It is *not* a summary of this issue. Potential investors are advised to read the entire Official Statement to obtain information essential to making an informed investment decision with respect to the 2021 Obligations. For a discussion of certain risk factors associated with investment in the 2021 Obligations, see “CERTAIN RISKS TO BOND OWNERS” as well as other factors discussed throughout this Official Statement.

*The 2021 Obligations will be offered when, as and if executed, delivered, and received by the Underwriter, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the Authority by the Law Office of Daniel P. Doporto, Pleasant Hill, California, General Counsel and by Jones Hall, A Professional Law Corporation, Disclosure Counsel, for the City by the City Attorney of the City of San Mateo, for the District by Jean B. Savaree, Esq., City Attorney for the City of Foster City, and for the Underwriter by Nixon Peabody LLP, Los Angeles, California, Underwriter’s Counsel. It is anticipated that the 2021 Obligations in book-entry only form will be available through the facilities of DTC in New York, New York, on or about June \_\_, 2021.*

**BOFA SECURITIES**

Date of Official Statement: \_\_\_\_\_, 2021

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\* Preliminary, subject to change.

**MATURITY SCHEDULE**

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**SAN MATEO-FOSTER CITY PUBLIC FINANCING AUTHORITY  
2021 WASTEWATER REVENUE NOTES, SERIES A  
(ESTERO MUNICIPAL IMPROVEMENT DISTRICT)**

<b>Maturity (August 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP No.†</b>
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**SAN MATEO-FOSTER CITY PUBLIC FINANCING AUTHORITY  
2021 WASTEWATER REVENUE NOTES, SERIES B  
(CITY OF SAN MATEO)**

<b>Maturity (August 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP No.†</b>
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**SAN MATEO-FOSTER CITY PUBLIC FINANCING AUTHORITY  
2021 WASTEWATER REVENUE BONDS, REFUNDING SERIES A  
(CITY OF SAN MATEO)**

Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP No.†
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\$ \_\_\_\_\_ % Term Bonds Due August 1, 20\_\_\_\_, Yield: \_\_\_\_\_%; Price \_\_\_\_\_%; CUSIP No.†: \_\_\_\_\_

\$ \_\_\_\_\_ % Term Bonds Due August 1, 20\_\_\_\_, Yield: \_\_\_\_\_%; Price \_\_\_\_\_%; CUSIP No.†: \_\_\_\_\_

\* Preliminary, subject to change.

<sup>c</sup> Priced to par call on August 1, 20\_\_\_\_.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright 2021 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for CGS database. The CUSIP® numbers are provided for convenience of reference only. None of the Authority, the City, the District, the Underwriter, their agents, or counsel is responsible for the selection or uses of the CUSIP® numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP® numbers of specific maturities is subject to change following the issuance of the 2021 Obligations as a result of various actions, including, but not limited to, a refunding in whole or in part or as the result of the procurement of a secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2021 Obligations.

No dealer, broker, salesperson or other person has been authorized by the Authority, the City, or the District to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the 2021 Obligations 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 of the 2021 Obligations. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

Information contained under the captions “THE DISTRICT,” “THE DISTRICT WASTEWATER ENTERPRISE,” “THE CITY” and “THE SAN MATEO SEWER ENTERPRISE,” and in APPENDIX A-1–“CERTAIN GENERAL, ECONOMIC, DEMOGRAPHIC, AND FINANCIAL INFORMATION RELATING TO THE ESTERO MUNICIPAL IMPROVEMENT DISTRICT AND THE CITY OF FOSTER CITY” and APPENDIX A-2–“CERTAIN GENERAL, ECONOMIC, DEMOGRAPHIC, AND FINANCIAL INFORMATION RELATING TO THE CITY OF SAN MATEO,” has been obtained from the respective Member. All other information set forth herein has been obtained from the Authority and from other sources and is believed to be reliable but is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice, and neither the 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 Authority, the City, or the District since the date hereof. This Official Statement is submitted in connection with the sale of the 2021 Obligations 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 Authority. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions. All capitalized terms used herein, unless noted otherwise, shall have the meanings prescribed in the Indentures and the Financing Agreements, as applicable. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Electronic Municipal Market Access site maintained by the Municipal Securities Rulemaking Board.

Any statement made in this Official Statement involving any forecast or matter of estimates or opinion, whether or not expressly stated, is intended solely as such and not as a representation of fact. 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 Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended (the “Securities Act”). Such forward-looking statements are generally identified by use of the words “plan,” “project,” “expect,” “estimate,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, statements contained under the captions “PLAN OF FINANCE,” “THE DISTRICT WASTEWATER ENTERPRISE,” and “THE SAN MATEO SEWER ENTERPRISE” and contained in APPENDIX A-1–“CERTAIN GENERAL, ECONOMIC, DEMOGRAPHIC, AND FINANCIAL INFORMATION RELATING TO THE ESTERO MUNICIPAL IMPROVEMENT DISTRICT AND THE CITY OF FOSTER CITY” and APPENDIX A-2–“CERTAIN GENERAL, ECONOMIC, DEMOGRAPHIC, AND FINANCIAL INFORMATION RELATING TO THE CITY OF SAN MATEO.” Such forward-looking statements refer to the achievement of certain results or other expectations or performance which involve known and unknown risks, uncertainties and other factors. These risks, uncertainties and other factors may cause actual results, performance or achievements to be materially different from any projected results, performance or achievements described or implied by such forward looking statements. None of the Authority, the City, or the District plans to issue updates or revisions to such forward-looking statements if or when the expectations, events, conditions or circumstances on which such statements are based, occur, or if actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward-looking statements.

The 2021 Obligations have not been registered with the Securities and Exchange Commission by reason of the provisions of Section 3(a)(2) of the Securities Act of 1933, as amended. The registration or qualification of the 2021 Obligations in accordance with applicable provisions of securities laws of the states in which these 2021 Obligations have been registered or qualified, and the exemption from registration or qualification in other states, shall not be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the securities or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

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 part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The City and the District each maintains a website. Unless specifically indicated otherwise, the information presented on those websites is *not* incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the 2021 Obligations.

**SAN MATEO-FOSTER CITY PUBLIC FINANCING AUTHORITY**

\_\_\_\_\_, *Councilmember, City of San Mateo, Chair*

\_\_\_\_\_, *Councilmember, City of Foster City, Vice Chair*

Drew Corbett, *City Manager, City of San Mateo, Member*

Peter Pirnejad, *City Manager, City of Foster City, Member*

**MEMBERS**

City of San Mateo  
Estero Municipal Improvement District

**SPECIAL SERVICES**

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Pleasant Hill, California  
*General Counsel to the Authority*

Jones Hall, A Professional Law Corporation  
San Francisco, California  
*Bond Counsel and Disclosure Counsel to the Authority*

William Euphrat Municipal Finance, Inc.  
San Francisco, California

Kitahata & Company  
San Francisco, California

*Municipal Advisors*

The Bank of New York Mellon Trust Company, N.A.  
San Francisco, California  
*Trustee*

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## OFFICIAL STATEMENT

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SAN MATEO-FOSTER CITY  
PUBLIC FINANCING AUTHORITY  
2021 WASTEWATER REVENUE NOTES, SERIES A  
(ESTERO MUNICIPAL IMPROVEMENT DISTRICT)

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PUBLIC FINANCING AUTHORITY  
2021 WASTEWATER REVENUE NOTES, SERIES B  
(CITY OF SAN MATEO)

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PUBLIC FINANCING AUTHORITY  
2021 WASTEWATER REVENUE BONDS, REFUNDING SERIES A  
(CITY OF SAN MATEO)

### INTRODUCTION

*This Introduction contains only a brief summary of the terms of the 2021 Obligations being offered and a brief description of this Official Statement. A full review should be made of the entire Official Statement, including the inside cover through the Appendices. All statements contained in this Introduction are qualified in their entirety by reference to the entire Official Statement. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings given to such terms as set forth in the related Indenture (defined below). See APPENDIX B-3–“SUMMARY OF THE INDENTURES OF TRUST.”*

#### **General; Purpose; Authority for Issuance**

**General.** This Official Statement, which includes the cover page through the Appendices (the “Official Statement”), provides certain information concerning the issuance by the San Mateo-Foster City Public Financing Authority (the “Authority”), a joint exercise of powers authority established pursuant to an agreement between the City of San Mateo (the “City”) and the Estero Municipal Improvement District (the “District,” and together with the City, the “Members”), of the following series of obligations:

- \$ \_\_\_\_\_\* principal amount of San Mateo-Foster City Public Financing Authority 2021 Wastewater Revenue Notes, Series A (Estero Municipal Improvement District) (the “2021 District Notes”);
- \$ \_\_\_\_\_\* principal amount of San Mateo-Foster City Public Financing Authority 2021 Wastewater Revenue Notes, Series B (City of San Mateo) (the “2021 City Notes”); and
- \$ \_\_\_\_\_\* principal amount of San Mateo-Foster City Public Financing Authority 2021 Wastewater Revenue Bonds, Refunding Series A (City of San Mateo) (the “2021 City Refunding Bonds”; together with the 2021 City Notes, the “2021 City Obligations”; and the 2021 City Obligations together with the 2021 District Notes, the “2021 Obligations”)

**Purpose.** The proceeds from the issuance of the 2021 District Notes will be used to: (i) provide interim funding to finance and refinance the costs of acquiring, engineering, and constructing certain public capital improvements to expand and upgrade the wastewater treatment facilities jointly owned by the Members (the “Member-Owned Wastewater Treatment Facilities;” such project being the “WWTP

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\* Preliminary; subject to change.

Project”); (ii) capitalize interest on the 2021 District Notes through July 1, 2024; and (iii) pay certain costs associated with the issuance of the 2021 District Notes, all as more fully described herein.

The proceeds from the issuance of the 2021 City Notes will be used to: (i) provide interim funding to finance and refinance the costs of the WWTP Project; (ii) provide interim funding to finance the costs of acquiring, constructing, and equipping certain public capital improvements to expand and upgrade the City-owned wastewater collection and transmission facilities (the “San Mateo-Owned Collection Facilities;” such project being the “San Mateo-Owned Collection Facilities Project,” and together with the WWTP Project, the “Project”); (iii) capitalize interest on the 2021 City Notes through July 1, 2024; and (iv) pay certain costs associated with the issuance of the 2021 City Notes, all as more fully described herein.

The proceeds from the issuance of the 2021 City Refunding Bonds will be used to: (i) provide funds to refund the City’s Sewer Revenue Bonds, 2011 Series A, which were originally issued in the principal amount of \$31,990,000 and are currently outstanding in the principal amount of \$19,700,000 (the “2011 City Bonds”); and (ii) pay certain costs associated with the issuance of the 2021 City Refunding Bonds, all as more fully described herein.

**Authority for Issuance.** The 2021 District Notes will be issued under the provisions of Article 4 (commencing with Section 6584) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “Bond Law”) and secured pursuant to the terms of an Indenture of Trust, dated as of June 1, 2021 (the “District Note Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A. (the “Trustee”).

The 2021 City Obligations will be issued under the provisions of the Bond Law and secured pursuant to the terms of an Indenture of Trust, dated as of June 1, 2021 (the “City Obligation Indenture”; each of the City Obligation Indenture and District Note Indenture is referred to herein as an “Indenture”), by and between the Authority and the Trustee.

See “SECURITY AND SOURCES OF PAYMENT FOR THE 2021 DISTRICT NOTES” and “SECURITY AND SOURCES OF PAYMENT FOR THE 2021 CITY OBLIGATIONS.”

### **COVID-19 Statement**

The COVID-19 pandemic has resulted in a public health crisis that is fluid and unpredictable with financial and economic impacts that cannot be predicted. As such, investors are cautioned that neither the District nor City can, at this time, predict the impacts that the COVID-19 pandemic might have on the operations and finances of the District Wastewater Enterprise or San Mateo Sewer Enterprise, respectively (in each case, as defined herein). For more disclosure regarding the COVID-19 emergency, see “COVID-19 PANDEMIC.”

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<sup>1</sup> The WWTP Project is a component of a 10-year approximately \$1 billion capital improvement plan to expand and upgrade wastewater treatment and collection facilities (the “Clean Water Program”). See “PLAN OF FINANCE,” “ESTIMATED SOURCES AND USES OF FUNDS,” and “THE SAN MATEO SEWER ENTERPRISE—Clean Water Program.”

## **The Authority**

The Authority is a joint exercise of powers authority established pursuant to a Joint Exercise of Powers Agreement, dated as of February 29, 2016, between the City and the District (the “Authority Formation JPA Agreement”). The City and the District are referred to as the “Members” because they are currently the only members of the Authority. The Authority does not own or operate the Project; the Authority was established to provide assistance to the City and the District with financing the Project and other public capital improvements.

The City and the District are also parties to a “Joint Powers Agreement Between the City of San Mateo and the Estero Municipal Improvement District for Operation of the City of San Mateo Wastewater Treatment Plant and Construction of Capital Improvements Under the Clean Water Program,” dated April 17, 2017, as amended by an “Amendment to the Joint Powers Agreement Between the City of San Mateo and the Estero Municipal Improvement District for Operation of the City of San Mateo Wastewater Treatment Plant and Construction of Capital Improvements under the Clean Water Program” dated February 19, 2019 (as it may be further amended from time to time hereafter, the “Construction/Operation JPA Agreement”).

Under the Construction/Operation JPA Agreement, the District and the City jointly own the Member-Owned Wastewater Treatment Facilities. The Construction/Operation JPA Agreement did not establish a separate joint powers authority. See “THE SAN MATEO SEWER ENTERPRISE–Clean Water Program” and “THE AUTHORITY.”

## **The Members**

***District.*** The District is located in the central part of the County of San Mateo (the “County”) immediately adjacent to the San Francisco Bay. The boundaries of the District for wastewater services are the boundaries of the City of Foster City (“Foster City”). For additional information regarding the District and Foster City, see “THE DISTRICT AND FOSTER CITY” and APPENDIX A-1–“CERTAIN GENERAL, ECONOMIC, DEMOGRAPHIC, AND FINANCIAL INFORMATION RELATING TO THE ESTERO MUNICIPAL IMPROVEMENT DISTRICT AND THE CITY OF FOSTER CITY.”

***City.*** The City is located in the County, approximately 19 miles south of the City and County of San Francisco and 30 miles north of the City of San José. San Mateo is served by two major freeways that travel the length of the San Francisco Peninsula, U.S. 101 (the Bayshore Freeway) and Interstate 280 and is located approximately five miles south of the San Francisco International Airport. For additional information regarding the City, see “THE CITY” and APPENDIX A-2–“CERTAIN GENERAL, ECONOMIC, DEMOGRAPHIC, AND FINANCIAL INFORMATION RELATING TO THE CITY OF SAN MATEO.”

For the location of the District and the City, see the Location Map on the following page.



## **Security and Sources of Payment for the 2021 Obligations and the Authority Bond Payments**

**2021 District Notes and District Payments.** The 2021 District Notes are special obligations of the Authority payable solely from and secured by a first lien on, pledge of and security interest in all District Note Revenues, including certain other moneys and securities held by the Trustee as provided in the District Note Indenture. District Note Revenues consist primarily of amounts payable by the City to the Authority pursuant to the Financing Agreement, dated as of June 1, 2021 (the “District Financing Agreement”) between the Authority and the District. Payments made by the District pursuant to the District Financing Agreement (the “District Payments”) represent the debt service on the 2021 District Notes. Pursuant to the District Financing Agreement, the District pledges the Net Revenues of the District Wastewater Enterprise (as defined herein) as security for its obligation to make District Payments.

Subject to the provisions of the District Note Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the District Note Indenture, all of the District Note Revenues held in the funds and accounts established pursuant to the District Note Indenture are pledged by the Authority to secure the full and timely payment of the principal of and interest and premium, if any, of the 2021 District Notes. Such pledge constitutes a lien on and security interest in such assets.

**2021 City Obligations and City Payments.** The 2021 City Obligations are special obligations of the Authority payable solely from and secured by a first lien on, pledge of and security interest in all City Obligation Revenues, including certain other moneys and securities held by the Trustee as provided in the City Obligation Indenture. City Obligation Revenues consist primarily of amounts payable by the City to the Authority pursuant to the Financing Agreement, dated as of June 1, 2021 (the “City Financing Agreement”) between the Authority and the City. Payments made by the City pursuant to the City Financing Agreement (the “City Payments”) represent the debt service on the 2021 City Obligations. Pursuant to the City Financing Agreement, the City pledges the Net Revenues of the San Mateo Sewer Enterprise (as defined herein) as security for its obligation to make City Payments.

Subject to the provisions of the City Obligation Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the City Obligation Indenture, all of the City Obligation Revenues held in the funds and accounts established pursuant to the City Obligation Indenture are pledged by the Authority to secure the full and timely payment of the principal of and interest and premium, if any, of the 2021 City Obligations. Such pledge constitutes a lien on and security interest in such assets.

**Rate Covenants.** Pursuant to its respective Financing Agreement, each Member covenants to: fix, prescribe, revise, and collect rates, fees, and charges during each Fiscal Year which are at least sufficient to yield Net Revenues equal to 120% of payments of its Authority Bond Payments and any Parity Obligation coming due in such Fiscal Year. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2021 DISTRICT NOTES,” “SECURITY AND SOURCES OF PAYMENT FOR THE 2021 CITY OBLIGATIONS,” “SECURITY AND SOURCES OF PAYMENT FOR THE AUTHORITY BOND PAYMENTS,” APPENDIX B-1–“SUMMARY OF THE ESTERO MUNICIPAL IMPROVEMENT DISTRICT FINANCING AGREEMENT,” APPENDIX B-2–“SUMMARY OF THE CITY OF SAN MATEO FINANCING AGREEMENT,” and APPENDIX B-3–“SUMMARY OF THE INDENTURES OF TRUST.”

**Additional Bonds.** The Authority covenants in each Indenture that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the District Note Revenues or City Obligation Revenues, as applicable, in whole or in part.

**Future Member Parity Obligations.** Each Member is authorized under its Financing Agreement to incur additional debt payable from its Net Revenues, subject to certain conditions. See “SECURITY AND

SOURCES OF PAYMENT FOR THE AUTHORITY BOND PAYMENTS—Existing and Future Parity Obligations of the Members.”

**Existing District Parity Obligations.** The obligation of the District to make the District Payments to the Authority from Net Revenues of the District Wastewater Enterprise is on parity with the obligation of the District to pay \$33,305,000 outstanding principal amount under a Financing Agreement, dated as of May 1, 2019, related to the San Mateo-Foster City Public Financing Authority 2019 Wastewater Revenue Bonds (Clean Water Program) (the “2019 District Financing Agreement”).

The obligation of the District to make the District Payments to the Authority from Net Revenues of the District Wastewater Enterprise is also on parity with the District’s obligations under a WIFIA Financing Agreement, dated as of November 5, 2020 (the “2020 WIFIA Loan” and, together with the 2019 District Financing Agreement, the “Existing District Obligations”), between the Authority and the District, relating to a draw-down loan by the United States Environmental Protection Agency (the “EPA”) for up to \$66,860,640 (the “2020 District WIFIA Loan”); however, as of the date of this Official Statement, no amounts are outstanding under the 2020 District WIFIA Financing Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE AUTHORITY BOND PAYMENTS—Take-Out Financing.”

The actual and estimated, as applicable, annual payment schedule for the Existing District Obligations, for each fiscal year, is set forth under the heading entitled “DEBT SERVICE SCHEDULES FOR EXISTING PARITY OBLIGATIONS.”

**Existing City Parity Obligations.** The obligation of the City to make the City Payments to the Authority from Net Revenues of the San Mateo Sewer Enterprise is on parity with the obligation of the City to pay the following (collectively, the “Existing City Obligations”):

- \$29,210,000 outstanding principal amount of City of San Mateo Sewer Revenue Bonds, 2014 Series A (the “2014 City Bonds”); and
- \$236,180,000 outstanding principal amount under a Financing Agreement, dated as of May 1, 2019, related to the San Mateo-Foster City Public Financing Authority 2019 Wastewater Revenue Bonds (Clean Water Program) (the “2019 City Financing Agreement”).

The obligation of the City to make the City Payments to the Authority from Net Revenues of the San Mateo Sewer Enterprise is also on parity with the City’s obligations under a WIFIA Financing Agreement, dated as of November 5, 2020 (together with the 2014 City Bonds and 2019 City Financing Agreement, the “Existing City Obligations”), between the Authority and the City, relating to a draw-down loan by the EPA for up to \$210,339,360 (the “2020 City WIFIA WWTP Project Loan”), and a WIFIA Financing Agreement, dated as of December 17, 2020, between the Authority and the City, relating to a draw-down loan by the EPA for up to \$85,140,000 (the “2020 City WIFIA Collection/Transmission Project Loan”; each of the 2020 City WIFIA Collection/Transmission Project Loan and 2020 City WIFIA Clean Water Program Loan is referred to herein as a “2020 City WIFIA Loan”); however, as of the date of this Official Statement, no amounts are outstanding under either 2020 City WIFIA Loan. See “SECURITY AND SOURCES OF PAYMENT FOR THE AUTHORITY BOND PAYMENTS—Take-Out Financing.”

The actual and estimated, as applicable, annual payment schedule for the Existing City Obligations, for each fiscal year, is set forth under the heading entitled “DEBT SERVICE SCHEDULES FOR EXISTING PARITY OBLIGATIONS.”

**Special Obligations.** THE 2021 DISTRICT NOTES ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED BY A FIRST LIEN AND PLEDGE AND

SECURITY INTEREST IN ALL OF THE DISTRICT NOTE REVENUES, CONSISTING PRIMARILY OF DISTRICT PAYMENTS. THE 2021 CITY OBLIGATIONS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED BY A FIRST LIEN AND PLEDGE AND SECURITY INTEREST IN ALL OF THE CITY OBLIGATION REVENUES, CONSISTING PRIMARILY OF CITY PAYMENTS. THE 2021 OBLIGATIONS ARE NOT A DEBT OF THE AUTHORITY OR THE STATE OF CALIFORNIA WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. THE AUTHORITY SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE 2021 OBLIGATIONS, EXCEPT FROM THE FUNDS PROVIDED UNDER THE APPLICABLE INDENTURE. THE FULL FAITH AND CREDIT OF THE AUTHORITY IS NOT PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUMS (IF ANY) ON THE 2021 OBLIGATIONS. THE 2021 OBLIGATIONS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE DISTRICT NOTE REVENUES OR CITY OBLIGATION REVENUES AND SUCH OTHER MONEYS AND SECURITIES AS PROVIDED IN THE APPLICABLE INDENTURE.

***No Cross-Collateralization.*** Under no circumstances is either Member required to advance money derived from any source of income other than its respective Net Revenues, and neither Member is obligated to pay the Authority Bond Payments of the other Member. There is no cross-collateralization of the two Members' obligation to make Payments under their respective Financing Agreements. See "THE SAN MATEO SEWER ENTERPRISE" and "THE DISTRICT WASTEWATER ENTERPRISE." The obligation of each Member under its Financing Agreement to pay its Authority Bond Payments from Net Revenues is absolute and unconditional. See "SECURITY AND SOURCES OF PAYMENT FOR THE AUTHORITY BOND PAYMENTS—Nature of the Authority Bond Payments Obligation—*No Cross-Collateralization.*" Furthermore, there is no cross-collateralization of the 2021 District Notes and 2021 City Obligations.

***Take-Out Financing.*** Each of the District and the City intends to use its undrawn loan authorization relating to its 2020 District WIFIA Loan and its 2020 City WIFIA Loans, respectively, to repay the 2021 District Notes and the 2021 City Notes, respectively. However, draws on these WIFIA loans are not limited solely to repay the 2021 District Notes and the 2021 City Notes.

Each Member covenants in its Financing Agreement that, no later than February 1, 2025, it will use commercially reasonable good faith efforts to initiate proceedings for a Take-Out Financing (which is defined herein to include drawings on the 2020 District WIFIA Loan or 2020 City WIFIA Loans, as applicable, among other things), so that its Authority Bond Payments will be paid in full with respect to such 2021 Obligations on August 1, 2025. See "SECURITY AND SOURCES OF PAYMENT FOR THE AUTHORITY BOND PAYMENTS—Take-Out Financing."

***No Reserve Fund.*** No debt service reserve fund will be established under either Indenture for the 2021 Obligations or under either Financing Agreement.

## **Certain Risk Factors**

An investment in the 2021 Obligations involves risk. For a discussion of certain risk factors associated with investment in the 2021 Obligations, see “CERTAIN RISKS TO BOND OWNERS” as well as other factors discussed throughout this Official Statement.

## **Continuing Disclosure**

***District.*** Under a Continuing Disclosure Certificate to be executed and delivered concurrently with the issuance of the 2021 Obligations, the District will covenant for the benefit of the beneficial owners of the 2021 District Notes to provide certain financial information and operating data relating to the District Wastewater Enterprise by no later than nine months after the end of its fiscal year currently ending on June 30 commencing with the report due on March 31, 2022 for the Fiscal Year ended June 30, 2021 (the “District Annual Report”) and to provide notices of the occurrence of certain listed events. The District Annual Report and notices listed of events will be filed by the District with the MSRB through its EMMA site. See “CONTINUING DISCLOSURE” and APPENDIX C–“PROPOSED FORMS OF CONTINUING DISCLOSURE CERTIFICATES–ESTERO MUNICIPAL IMPROVEMENT DISTRICT FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12.

***City.*** Under a Continuing Disclosure Certificate to be executed and delivered concurrently with the issuance of the 2021 Obligations, the City will covenant for the benefit of the beneficial owners of the 2021 City Obligations to provide certain financial information and operating data relating to the Authority and the San Mateo Sewer Enterprise by no later than nine months after the end of the fiscal year of the City, currently ending on June 30 commencing with the report due on March 31, 2022 for the Fiscal Year ended June 30, 2021 (each a “City Annual Report”) and to provide notices of the occurrence of certain listed events. The City Annual Report and notices of listed events will be filed by the City with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) site. See “CONTINUING DISCLOSURE” and APPENDIX C–“PROPOSED FORMS OF CONTINUING DISCLOSURE CERTIFICATES–CITY OF SAN MATEO FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12.

## **Reference to Documents**

The summaries and descriptions in this Official Statement of the Indenture, the 2021 Obligations, the Financing Agreements, the Continuing Disclosure Certificates, and other agreements relating to the 2021 Obligations are qualified in their entirety by reference to such documents, and the descriptions herein of the 2021 Obligations are qualified in their entirety by the form thereof and the information with respect thereto included in such documents. All capitalized terms used herein, unless noted otherwise, shall have the meanings prescribed in the Financing Agreements and the Indenture. APPENDIX B-1–“SUMMARY OF THE ESTERO MUNICIPAL IMPROVEMENT DISTRICT FINANCING AGREEMENT,” APPENDIX B-2–“SUMMARY OF THE CITY OF SAN MATEO FINANCING AGREEMENT,” and APPENDIX B-3–“SUMMARY OF THE INDENTURES OF TRUST.”

## **COVID-19 PANDEMIC**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (“COVID-19”), which was first detected in China and has spread to other countries, including the United States, was declared a pandemic by the World Health Organization, a national emergency by the President of the United

States (the “President”) and a state of emergency by the Governor of the State (the “Governor”). There has been tremendous volatility in the financial markets in the United States and globally, resulting in the onset of a national and global recession.

**Federal Response.** The President’s declaration of a national emergency on March 13, 2020, made available more than \$50 billion in federal resources to combat the spread of the virus. A multi-billion-dollar relief package was signed into law by the President on March 18, 2020, providing for Medicaid expansion, unemployment benefits and paid emergency leave during the crisis. In addition, the Federal Reserve lowered its benchmark interest rate to nearly zero, introduced a large bond-buying program and established emergency lending programs to banks and money market mutual funds.

On March 27, 2020, the United States Congress passed a \$2 trillion relief package, referred to as the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The package includes direct payments to taxpayers, jobless benefits, assistance to hospitals and healthcare systems, \$367 billion for loans to small businesses, a \$500 billion fund to assist distressed large businesses, including approximately \$30 billion to provide emergency grants to educational institutions and local educational agencies.

On April 9, 2020, the Federal Reserve took additional actions to provide up to \$2.3 trillion in loans to support the economy, including supplying liquidity to participating financial institutions in the Small Business Administration’s Paycheck Protection Program, purchasing up to \$600 billion in loans through the Main Street Lending Program and offering up to \$500 billion in lending to states and municipalities.

On April 24, 2020, an additional \$484 billion federal aid package was signed into law to provide additional funding for distressed small businesses and to provide funds for hospitals and COVID-19 testing. The legislation adds \$310 billion to the Paycheck Protection Program, increases the small business emergency grant and loan program by \$60 billion, and directs \$75 billion to hospitals and \$25 billion to a new COVID-19 testing program.

On March 11, 2021, the President signed a \$1.9 trillion stimulus package (the “American Rescue Package”) into law, authorizing a third round of one-time stimulus payments for qualifying Americans, extending additional unemployment benefits, and providing aid to cities and states facing budget shortfalls.

**State Response.** At the State level, on March 15, 2020, the Governor ordered the closing of California bars and nightclubs, the cancellation of gatherings of more than 250 and confirmed continued funding for school districts that close under certain conditions. On March 16, 2020, the State legislature passed \$1.1 billion in general purpose spending authority for emergency funds to respond to the Coronavirus crisis. On March 19, 2020, the Governor issued Executive Order N-33-20, a blanket shelter-in-place order, ordering all California residents to stay home except for certain necessities and other essential purposes. On August 28, 2020, the Governor released a new system called “Blueprint for a Safer California,” which places the State’s 58 counties into four color-coded tiers – purple, red, orange, and yellow, in descending order of severity – based on the number of new daily cases of COVID-19 and the percentage of positive tests.

Under the State’s “Blueprint for a Safer California,” counties must spend at least three weeks in each tier before advancing to the next one. [The County is currently assigned to the yellow tier, which is the least restrictive tier.][**TO BE UPDATED PRIOR TO POSTING**] On April 6, 2021, the Governor announced that California will fully reopen its economy across the state on June 15, 2021 if (i) there is enough vaccine supply for Californians 16 years and older to be vaccinated and (ii) hospitalization rates remain stable and low, especially among fully vaccinated Californians. According to the Governor, common sense health measures, including wearing masks will continue, and testing and vaccination requirements will remain for some businesses and industries.

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, the economic impacts and actions that may be taken by governmental authorities to contain the outbreak or to treat its impacts are uncertain and cannot be predicted. Additional information with respect to events surrounding the outbreak of COVID-19 and responses thereto can be found on State and local government websites, including but not limited to the Governor's office (<http://www.gov.ca.gov>) and the California Department of Public Health (<https://covid19.ca.gov/>). *The City has not incorporated by reference the information on such websites, and the City does not assume any responsibility for the accuracy of the information on such websites.*

***Future Impacts of COVID-19 Pandemic on Global and Local Economies Cannot Be Predicted; Potential Declines in State and Local Revenues.*** The COVID-19 public health emergency will have negative impacts on global and local economies, including the economy of the State and in the region of the District and City. The extent and duration of the COVID-19 emergency is currently unknown, and the reach of its impacts uncertain.

***Future Impacts of COVID-19 Emergency Uncertain.*** The possible impacts that the COVID-19 emergency might have on the municipal finances, programs, credit ratings on debt obligations and local property values relating to the District and City, and the economy in general, are uncertain at this time. In addition, there may be unknown consequences of the COVID-19 emergency that neither the District nor the City can predict.

## **PLAN OF FINANCE**

The proceeds from the issuance of the 2021 District Notes will be used to: (i) provide interim funding to finance and refinance the costs of the WWTP Project; (ii) capitalize interest on the 2021 District Notes through July 1, 2024; and (iii) pay certain costs associated with the issuance of the 2021 District Notes, all as more fully described herein.

The proceeds from the issuance of the 2021 City Notes will be used to: (i) provide interim funding to finance and refinance the costs of the WWTP Project; (ii) provide interim funding to finance the costs of the San Mateo-Owned Collection Facilities Project; (iii) capitalize interest on the 2021 City Notes through July 1, 2024; and (iv) pay certain costs associated with the issuance of the 2021 City Notes, all as more fully described herein.

The proceeds from the issuance of the 2021 City Refunding Bonds will be used to: (i) provide funds to refund the 2011 City Bonds; and (ii) pay certain costs associated with the issuance of the 2021 City Refunding Bonds, all as more fully described herein.

The WWTP Project and San Mateo-Owned Collection Facilities Project are components of the Clean Water Program. See “THE SAN MATEO SEWER ENTERPRISE–Clean Water Program.”

### **WWTP Project**

A portion of the proceeds of the 2021 District Notes and 2021 City Notes will be used to finance a portion of the following projects, as described in greater detail under “THE SAN MATEO SEWER ENTERPRISE–Clean Water Program–*Capital Improvements to Member-Owned Wastewater Treatment Facilities.*”

- Upgrade & Expansion of the Wastewater Treatment Plant (the “WWTP”)
- WWTP Immediate Action Project (Packages 1, 2 and 3)
- WWTP Annual Major Components
- Program Management for the Improvements to the Member-Owned Wastewater Treatment Facilities

## San Mateo-Owned Collection Facilities Project

A portion of the proceeds of the 2021 City Notes will be used to finance the following projects as described in greater detail under “THE SAN MATEO SEWER ENTERPRISE–Clean Water Program–*Capital Improvements to San Mateo-Owned Collection Facilities.*”

- Basin 1A Collection System Improvements
- Basin 1B Collection System Improvements
- Basin 2 & 3 Collection System Improvements
- Basin 4 Collection System Improvements
- East San Mateo Lift Station Rehabilitations
- Biennial Pump Station Upgrade Program
- Closed-Circuit Television Inspection Program
- Sanitary Sewer Rehabilitation Annual Program
- Program Management for the Improvements to the San Mateo-Owned Collection Facilities

## Refunding of the 2011 City Bonds

The City issued the 2011 City Bonds on May 11, 2011, in the original aggregate principal amount of \$31,990,000. The 2011 City Bonds are currently outstanding in the aggregate principal amount of \$19,700,000. The 2011 City Bonds were issued primarily for the purpose of providing funds to the City to refund the City’s then-outstanding Sewer Revenue Refunding Bonds, Series 1996A, Sewer Revenue Bonds, Series 1998A, and Sewer Revenue Bonds, Series 1998B.

The refunding plan calls for the outstanding 2011 City Bonds maturing on and after August 1, 2022, to be defeased on the Closing Date and redeemed in full on August 1, 2021 (the “**Redemption Date**”), at a redemption price equal to the outstanding principal amount thereof, together with interest coming due and payable on the Redemption Date.

In order to accomplish the refunding plan, on the Closing Date, a portion of the proceeds of the 2021 City Refunding Bonds will be transferred to The Bank of New York Mellon Trust Company, N.A., the trustee for the 2011 City Bonds (the “2011 Trustee”), and deposited into an account established under the indenture relating to the 2011 City Bonds. The 2011 Trustee will invest \$\_\_\_\_\_ of such amounts in United States Treasury securities and hold the remainder uninvested. On the Redemption Date, the 2011 Trustee will apply such amounts to redeem the 2011 City Bonds in full.

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## ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the 2021 Obligations are estimated to be applied as set forth in the following table:

**Table 1**  
**Estimated Sources and Uses of Funds**

	2021 District Notes	2021 City Notes	2021 City Refunding Bonds
<b>Sources of Funds</b>			
2021 District Notes			
2021 City Notes			
2021 City Refunding Bonds			
[Net Original Issue Premium/Discount]			
TOTAL ESTIMATED SOURCES OF FUNDS			
<b>Uses of Funds</b>			
Deposit to Project Fund <sup>(1)(2)</sup>			
Transfer to 2011 Trustee <sup>(1)(4)</sup>			
Deposit to District Wastewater Treatment Project Fund <sup>(1)(3)</sup>			
Deposits to Capitalized Interest Subaccount of the Interest Account Under Each Indenture			
Costs of Issuance <sup>(5)</sup>			
TOTAL ESTIMATED USES OF FUNDS			

(1) See "PLAN OF FINANCE."

(2) To finance and refinance costs of the WWTP Project and San Mateo-Owned Collection Facilities Project costs.

(3) To finance and refinance costs of the WWTP Project.

(4) To defease and refund the 2011 City Bonds.

(5) Includes fees of the Authority, Bond Counsel, Disclosure Counsel, the Municipal Advisors, the Trustee, Underwriter's discount, fees relating to the credit rating, printing, accounting, and other costs associated with the issuance of the 2021 Obligations. For details of the Underwriter's discount, see "UNDERWRITING."

## THE AUTHORITY

### General

The Authority was created pursuant to the Authority Formation JPA Agreement and the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title I of the California Government Code. The Authority was created primarily to provide assistance for the purpose of financing and refinancing the Member-Owned Wastewater Treatment Facilities, the collection and transmission facilities of the City and the District, public capital improvements owned by the City and the District, and working capital, liability or other insurance programs for the Members.

### Governance and Management

Pursuant to the Authority Formation JPA Agreement, the Authority is administered by a four-member Governing Board, consisting of one member from the Board of Directors of the District; one member from District staff; one member from the City Council of the City; and one member from the City's staff.

The current members of the Governing Body of the Authority are:

<b>Member</b>	<b>Title</b>
_____, Councilmember, City of San Mateo	Chairperson
_____, District Board Member/Councilmember, City of Foster City	Vice Chairperson
Drew Corbett, City Manager, City of San Mateo	Member
Peter Pirnejad, District/City Manager, City of Foster City	Member

Patrice Olds, City Clerk of the City serves as secretary, Rich Lee, Finance Director of the City serves as Treasurer-Auditor-Controller, and the Law Office of Daniel P. Doporto serves as the General Counsel to the Authority.

## **THE 2021 DISTRICT NOTES**

### **General**

The 2021 District Notes will be dated their date of original delivery, will be issued in fully registered form, in denominations of \$5,000 and any integral multiple thereof and will mature on the dates and in the principal amounts and bear interest at the rates as set forth on the inside cover of this Official Statement.

Interest on the 2021 District Notes shall be payable semiannually on February 1 and August 1 of each year commencing February 1, 2022 (each, an “Interest Payment Date”). The 2021 District Notes, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the 2021 District Notes. Ownership interests in the 2021 District Notes may be purchased in book-entry only form. Purchasers will *not* receive securities certificates representing their interests in the 2021 District Notes purchased. Payments of principal of and interest on the 2021 District Notes will be paid by the Trustee to DTC, which is obligated in turn to remit such principal and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2021 District Notes. See APPENDIX E—“DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Interest on the 2021 District Notes will be paid on each Interest Payment Date to the persons in whose name the ownership of the 2021 District Notes is registered on the registration books maintained by the Trustee for the registration of ownership and registration of transfer of the 2021 District Notes as of the close of business on the immediately preceding Record Date, such interest to be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date; or by wire transfer made on such Interest Payment Date to any Owner of \$1,000,000 or more in aggregate principal amount of 2021 District Notes who has requested such transfer pursuant to written notice filed with the Trustee on or before the preceding Record Date.

So long as the 2021 District Notes are registered in the name of the Cede & Co., all payments with respect to principal of, and interest on, the 2021 District Notes and all notices with respect to such 2021 District Notes will be made and given, respectively, to DTC.

### **No Redemption Prior to Maturity**

The 2021 District Notes are not subject to optional redemption prior to maturity.

## THE 2021 CITY OBLIGATIONS

### General

The 2021 City Obligations will be dated their date of original delivery, will be issued in fully registered form, in denominations of \$5,000 and any integral multiple thereof and will mature on the dates and in the principal amounts and bear interest at the rates as set forth on the inside cover of this Official Statement.

Interest on the 2021 City Obligations shall be payable semiannually on February 1 and August 1 of each year commencing February 1, 2022 (each, an “Interest Payment Date”). The 2021 City Obligations, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the 2021 City Obligations. Ownership interests in the 2021 City Obligations may be purchased in book-entry only form. Purchasers will *not* receive securities certificates representing their interests in the 2021 City Obligations purchased. Payments of principal of and interest on the 2021 City Obligations will be paid by the Trustee to DTC, which is obligated in turn to remit such principal and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2021 City Obligations. See APPENDIX E—“DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Interest on the 2021 City Obligations will be paid on each Interest Payment Date to the persons in whose name the ownership of the 2021 City Obligations is registered on the registration books maintained by the Trustee for the registration of ownership and registration of transfer of the 2021 City Obligations as of the close of business on the immediately preceding Record Date, such interest to be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date; or by wire transfer made on such Interest Payment Date to any Owner of \$1,000,000 or more in aggregate principal amount of 2021 City Obligations who has requested such transfer pursuant to written notice filed with the Trustee on or before the preceding Record Date.

So long as the 2021 City Obligations are registered in the name of the Cede & Co., all payments with respect to principal of, and interest on, the 2021 City Obligations and all notices with respect to such 2021 City Obligations will be made and given, respectively, to DTC.

### Redemption Provisions

***No Redemption of 2021 City Notes Prior to Maturity.*** The 2021 City Notes are not subject to redemption prior to maturity.

***Optional Redemption for 2021 City Refunding Bonds*** The 2021 City Refunding Bonds maturing before August 1, 20\_\_ are not subject to optional redemption prior to maturity.

The 2021 City Refunding Bonds maturing on and after August 1, 20\_\_ are subject to redemption prior to maturity, at the option of the Authority, in whole or in part among maturities on such basis as designated by the Authority and by lot within a maturity, from any available source of funds including amounts received from the prepayment of the City’s obligations under the City Financing Agreement, on August 1, 20\_\_, and on any date thereafter, at a redemption price equal to 100% of the principal amount of 2021 City Refunding Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

**Mandatory Sinking Fund Redemption of Term 2021 City Refunding Bonds.** The 2021 City Refunding Bonds maturing on August 1, 20\_\_ and on August 1, 20\_\_ (the “Term 2021 City Refunding Bonds”) are subject to mandatory redemption in whole, or in part by lot, from sinking fund payments made pursuant to the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate respective principal amounts and on August 1 in the years as set forth below:

**Term 2021 City Refunding Bonds Maturing  
August 1, 20\_\_**

Payment Date ( <u>August 1</u> )	Payment <u>Amount</u>
-------------------------------------	--------------------------

\_\_\_\_\_  
† Maturity.

**Term 2021 City Refunding Bonds Maturing  
August 1, 20\_\_**

Payment Date ( <u>August 1</u> )	Payment <u>Amount</u>
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\_\_\_\_\_  
† Maturity.

If some but not all of the Term 2021 City Refunding Bonds have been redeemed as described above in “–Optional Redemption for 2021 City Refunding Bonds,” the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of the Term 2021 City Refunding Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the Authority, which shall notify the Trustee in writing of such determination.

**Redemption Procedures**

**Notice of Redemption.** The Trustee on behalf of the Authority will mail (by first class mail) notice of any redemption to the respective Owners of any 2021 City Refunding Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and to the Municipal Securities Rulemaking Board, at least 30 but not more than 60 days prior to the date fixed for redemption. The City Obligation Indenture provides that neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such 2021 City Refunding Bonds or the cessation of the accrual of interest thereon.

Each redemption notice must state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the 2021 City Refunding Bonds numbers (if less than all 2021 City Refunding Bonds of a maturity are to be redeemed) and the maturity or maturities (in the event of redemption of all of the 2021 City Refunding Bonds of such maturity or maturities in whole) of the 2021 City Refunding Bonds to be redeemed, and shall require that such 2021 City Refunding Bonds be then surrendered at the principal office of the Trustee identified in such notice for redemption at the

redemption price, giving notice also that further interest on such 2021 City Refunding Bonds will not accrue from and after the redemption date. In addition, in the case of an optional redemption notice, the redemption notice may provide that redemption is conditional upon the availability of funds to accomplish the redemption and shall state that the Authority has the right to rescind the notice as provided below.

***Right to Rescind Notice of Redemption.*** The Authority has the right to rescind any notice of the optional redemption of 2021 City Refunding Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption is required to be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2021 City Refunding Bonds then called for redemption, and such cancellation will not constitute an Event of Default under the Indenture. The Authority and the Trustee will have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee is required to mail notice of such rescission of redemption to the Owners in the same manner as the original notice of redemption was sent under the Indenture.

***Manner of Redemption of 2021 City Refunding Bonds of the Same Maturity.*** Whenever provision is made in the City Obligation Indenture for the redemption of less than all of the 2021 City Refunding Bonds of the same maturity, the Trustee is required to select the 2021 City Refunding Bonds to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, all 2021 City Refunding Bonds will be deemed to be comprised of separate \$5,000 denominations and such separate denominations will be treated as separate 2021 City Refunding Bonds which may be separately redeemed.

***Partial Redemption of 2021 City Refunding Bonds.*** If only a portion of any 2021 City Refunding Bond is called for redemption, then upon surrender of such 2021 City Refunding Bond the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new 2021 City Refunding Bond or 2021 City Refunding Bonds of the same series and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2021 City Refunding Bond to be redeemed.

***Effect of Notice of Redemption.*** If notice of redemption has been duly mailed and funds available for the payment of the principal of and interest (and premium, if any) on the 2021 City Refunding Bonds so called for have been duly provided, such 2021 City Refunding Bonds so called will cease to be entitled to any benefit under the City Obligation Indenture other than the right to receive payment of the redemption price, and no interest will accrue thereon from and after the redemption date specified in such notice. Unless otherwise directed in writing by the Authority, the Trustee will cancel and destroy all 2021 City Refunding Bonds redeemed under the Indenture.

## **SECURITY AND SOURCES OF PAYMENT FOR THE 2021 DISTRICT NOTES**

### **Pledge of District Note Revenues**

The 2021 District Notes are special obligations of the Authority payable solely from and secured by a first lien on, pledge and security interest in all of the District Note Revenues, including all of the moneys in the Authority Revenue Fund, the Interest Account, and the Principal Account, and all amounts derived from the investment of such money, without priority for number, date of Bonds, date of execution, or date of delivery.

In the District Note Indenture, the “District Note Revenues” are referred to as the “Authority Revenues,” which is defined to mean: (i) all amounts payable by the District under the District Financing

Agreement; (ii) any proceeds of the 2021 District Notes originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the District Note Indenture; and (iii) income and gains with respect to the investment of amounts on deposit in the funds and accounts established hereunder. The term “Authority Revenues” expressly excludes amounts payable by the District under the District Financing Agreement with respect to any bonds, notes or other obligations of the Authority other than the 2021 District Notes. See “SECURITY AND SOURCES OF PAYMENT FOR THE AUTHORITY BOND PAYMENTS.”

### **Assignment of Rights to the Trustee**

Pursuant to the District Note Indenture, the Authority transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the 2021 District Notes, all of the Authority Revenues and all of the right, title and interest of the Authority in the District Financing Agreement. The Trustee is entitled to receive all of the Authority Revenues, and any Authority Revenues collected or received by the Authority are deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and are required to be paid by the Authority to the Trustee. The Trustee is also entitled to and, subject to the provisions of the District Note Indenture, is required to take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the District under the District Financing Agreement.

### **Flow of Funds Under the District Note Indenture**

The District Note Indenture requires the Trustee to promptly deposit all Authority Revenues upon receipt in a special fund designated as the “Authority Revenue Fund,” which is held by the Trustee for the benefit of the Owners of the 2021 District Notes.

The Trustee is required to transfer from the Authority Revenue Fund and deposit into the following accounts established within the Authority Revenue Fund, the following amounts at the following times in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Authority Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any account subsequent in priority:

*First:* On or before each Interest Payment Date, the Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest coming due and payable on such date on all Outstanding 2021 District Notes. The Trustee shall apply amounts in the Interest Account solely for the purpose of paying the interest on the 2021 District Notes when due, including accrued interest on any 2021 District Notes redeemed prior to maturity. Any amounts on deposit in the Interest Account on the first day of any Note Year, to the extent not required to pay any interest then having come due and payable on the Outstanding 2021 District Notes, shall be transferred to the Authority Revenue Fund.

In addition, the Trustee will apply the amounts in the Capitalized Interest Subaccount to pay interest on the 2021 District Notes until such Subaccount has been fully depleted, after which the Trustee will close such Subaccount.

*Second:* On or before each date on which the principal of the 2021 District Notes is payable, the Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the aggregate amount of principal coming due and payable on such date on the 2021 District Notes. The Trustee shall apply amounts in the Principal Account for the purpose of paying the principal of the 2021 District Notes at the

maturity thereof. All amounts on deposit in the Principal Account on the first day of any Note Year, to the extent not required to pay the principal of any Outstanding Notes then having come due and payable, will be transferred to the Authority Revenue Fund.

### **No Reserve Fund**

No debt service reserve fund will be established under the District Note Indenture for the 2021 District Notes or under the District Financing Agreement.

### **Investments of Amounts on Deposit Under the District Note Indenture**

Except as otherwise provided in the District Note Indenture, all moneys in any of the Funds or Accounts established pursuant to the District Note Indenture are required be invested by the Trustee solely in Permitted Investments, or, if any Funds or Account is held by the Trustee solely in Permitted Investments, as directed in writing by an authorized representative.

Permitted Investments acquired as an investment of moneys in any fund established under the District Note Indenture are required to be credited to such fund. See APPENDIX B-3—"SUMMARY OF THE INDENTURES OF TRUST."

### **District Note Indenture Events of Default and Remedies**

***Events of Default.*** The District Note Indenture provides that the following constitute Events of Default:

(i) default in the due and punctual payment of the principal of any 2021 District Note when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(ii) default in the due and punctual payment of any installment of interest on any 2021 District Note when and as such interest installment comes due and payable;

(iii) failure by the Authority to observe and perform any of the covenants, agreements or conditions on its part in the District Note Indenture or in the 2021 District Notes contained, other than as referred to in the preceding clauses (i) and (ii), for a period of 30 days after written notice, specifying such failure and requesting that it be remedied has been given to the Authority by the Trustee; *provided, however*, that if in the reasonable opinion of the Authority the failure stated in such notice can be corrected, but not within such 30-day period, such failure does not constitute an Event of Default if corrective action is instituted by the Authority within such 30-day period and diligently pursued until such failure is corrected;

(iv) filing by the Authority of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property; and

(v) failure by the District to make any payment in full when due under the related Financing Agreement in respect of debt service on the 2021 District Notes, as set forth in respective payment schedules filed with the Trustee by the Authority.

**Remedies Upon Default.** Upon the occurrence and during the continuance of an Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of and interest and premium (if any) on the 2021 District Notes, and to enforce any rights of the Trustee under or with respect to the District Note Indenture. See APPENDIX B-3--“SUMMARY OF THE INDENTURES OF TRUST.”

### **No Additional Bonds Secured by District Payments**

The 2021 District Notes are special obligations of the Authority payable solely from and secured by a first lien and pledge and security interest in all revenues of the Authority consisting primarily of District Payments made by the District to the Authority pursuant to the District Financing Agreement. The 2021 District Notes are not a debt of the Authority or the State of California within the meaning of any constitutional or statutory debt limitation. The Authority shall not be obligated to pay the principal of or interest on the 2021 District Notes, except from the funds provided under the District Note Indenture and the District Financing Agreement. The full faith and credit of the Authority is not pledged for the payment of the principal of or interest or redemption premiums (if any) on the 2021 District Notes. The 2021 District Notes are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Authority or any of its income or receipts, except the revenues and such other moneys and securities as provided in the District Note Indenture.

As disclosed below, nothing in the District Note Indenture limits the District from issuing parity obligations in accordance with the terms of the District Financing Agreement, including parity obligations which secure additional bonds of the Authority. See APPENDIX B-3--“SUMMARY OF THE INDENTURES OF TRUST.”

### **No Cross-Collateralization**

There is no cross-collateralization of the 2021 District Notes and 2021 City Obligations. Accordingly, the City Payments do not secure and will not be a source for payment of the 2021 District Notes, and the District Payments do not secure and will not be a source for payment of the 2021 City Obligations.

## **SECURITY AND SOURCES OF PAYMENT FOR THE 2021 CITY OBLIGATIONS**

### **Pledge of City Obligation Revenues**

The 2021 City Obligations are special obligations of the Authority payable solely from and secured by a first lien on, pledge and security interest in all of the City Obligation Revenues, including all of the moneys in the Authority Revenue Fund, the Interest Account, and the Principal Account, and all amounts derived from the investment of such money, without priority for number, date of Bonds, date of execution, or date of delivery.

In the City Obligation Indenture, the “City Obligation Revenues” are referred to as the “Authority Revenues,” which is defined to mean: (i) all amounts payable by the City under the City Financing Agreement; (ii) any proceeds of the 2021 City Obligations originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the City Obligation Indenture; and (iii) income and gains with respect to the investment of amounts on deposit in the funds and accounts established hereunder. The term “Authority Revenues” expressly excludes amounts payable by the City under the City Financing Agreement with respect to any bonds, notes or other

obligations of the Authority other than the 2021 City Obligations. See “SECURITY AND SOURCES OF PAYMENT FOR THE AUTHORITY BOND PAYMENTS.”

### **Assignment of Rights to the Trustee**

Pursuant to the City Obligation Indenture, the Authority transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the 2021 City Obligations, all of the Authority Revenues and all of the right, title and interest of the Authority in the City Financing Agreement. The Trustee is entitled to receive all of the Authority Revenues, and any Authority Revenues collected or received by the Authority are deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and are required to be paid by the Authority to the Trustee. The Trustee is also entitled to and, subject to the provisions of the City Obligation Indenture, is required to take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the City Financing Agreement.

### **Flow of Funds Under the City Obligation Indenture**

The City Obligation Indenture requires the Trustee to promptly deposit all Authority Revenues upon receipt in a special fund designated as the “Authority Revenue Fund,” which is held by the Trustee for the benefit of the Owners of the 2021 City Obligations.

The Trustee is required to transfer from the Authority Revenue Fund and deposit into the following accounts established within the Authority Revenue Fund, the following amounts at the following times in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Authority Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any account subsequent in priority:

*First:* On or before each Interest Payment Date, the Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest coming due and payable on such date on all Outstanding 2021 City Obligations. The Trustee shall apply amounts in the Interest Account solely for the purpose of paying the interest on the Notes when due, including accrued interest on any 2021 City Obligations redeemed prior to maturity. Any amounts on deposit in the Interest Account on the first day of any Note Year, to the extent not required to pay any interest then having come due and payable on the Outstanding 2021 City Obligations, shall be transferred to the Authority Revenue Fund.

In addition, the Trustee will apply the amounts in the Capitalized Interest Subaccount to pay interest on the 2021 City Notes until such Subaccount has been fully depleted, after which the Trustee will close such Subaccount.

*Second:* On or before each date on which the principal of the 2021 City Obligations is payable, the Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the aggregate amount of principal coming due and payable on such date on the 2021 City Obligations, or the redemption price of the 2021 City Obligations (consisting of the principal amount thereof and any applicable redemption premiums) required to be redeemed on such date under the City Obligation Indenture. The Trustee shall apply amounts in the Principal Account for the purpose of (i) paying the principal of the 2021 City Obligations at the maturity thereof, (ii) paying the principal of the 2021 City Obligations upon the optional or mandatory sinking fund redemption thereof. All amounts on deposit in the Principal Account on the first day of any Note Year, to the extent not required to pay the principal of any

Outstanding Notes then having come due and payable, will be transferred to the Authority Revenue Fund.

### **No Reserve Fund**

No debt service reserve fund will be established under the City Obligation Indenture for the 2021 City Obligations or under the City Financing Agreement.

### **Investments of Amounts on Deposit Under the City Obligation Indenture**

Except as otherwise provided in the City Obligation Indenture, all moneys in any of the Funds or Accounts established pursuant to the City Obligation Indenture are required be invested by the Trustee solely in Permitted Investments, or, if any Funds or Account is held by the Trustee solely in Permitted Investments, as directed in writing by an authorized representative.

Permitted Investments acquired as an investment of moneys in any fund established under the City Obligation Indenture are required to be credited to such fund. See APPENDIX B-3–“SUMMARY OF THE INDENTURES OF TRUST.”

### **City Obligation Indenture Events of Default and Remedies**

***Events of Default.*** The City Obligation Indenture provides that the following constitute Events of Default:

(i) default in the due and punctual payment of the principal of any 2021 City Obligation when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(ii) default in the due and punctual payment of any installment of interest on any 2021 City Obligation when and as such interest installment comes due and payable;

(iii) failure by the Authority to observe and perform any of the covenants, agreements or conditions on its part in the City Obligation Indenture or in the 2021 City Obligations contained, other than as referred to in the preceding clauses (i) and (ii), for a period of 30 days after written notice, specifying such failure and requesting that it be remedied has been given to the Authority by the Trustee; *provided, however,* that if in the reasonable opinion of the Authority the failure stated in such notice can be corrected, but not within such 30-day period, such failure does not constitute an Event of Default if corrective action is instituted by the Authority within such 30-day period and diligently pursued until such failure is corrected;

(iv) filing by the Authority of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property; and

(v) failure by the City to make any payment in full when due under the related Financing Agreement in respect of debt service on the 2021 City Obligations, as set forth in respective payment schedules filed with the Trustee by the Authority.

***Remedies Upon Default.*** Upon the occurrence and during the continuance of an Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of and interest and premium (if any) on the 2021 City Obligations, and to enforce any rights of the Trustee under or with respect to the City Obligation Indenture. See APPENDIX B-3—“SUMMARY OF THE INDENTURES OF TRUST.”

### **No Additional Bonds Secured by City Payments**

The 2021 City Obligations are special obligations of the Authority payable solely from and secured by a first lien and pledge and security interest in all revenues of the Authority consisting primarily of City Payments made by the City to the Authority pursuant to the City Financing Agreement. The 2021 City Obligations are not a debt of the Authority or the State of California within the meaning of any constitutional or statutory debt limitation. The Authority shall not be obligated to pay the principal of or interest on the 2021 City Obligations, except from the funds provided under the City Obligation Indenture and the City Financing Agreement. The full faith and credit of the Authority is not pledged for the payment of the principal of or interest or redemption premiums (if any) on the 2021 City Obligations. The 2021 City Obligations are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Authority or any of its income or receipts, except the revenues and such other moneys and securities as provided in the City Obligation Indenture.

As disclosed below, nothing in the City Obligation Indenture limits the City from issuing parity obligations in accordance with the terms of the City Financing Agreement, including parity obligations which secure additional bonds of the Authority. See APPENDIX B-3—“SUMMARY OF THE INDENTURES OF TRUST.”

### **No Cross-Collateralization**

There is no cross-collateralization of the 2021 City Obligations and 2021 District Notes. Accordingly, the District Payments do not secure and will not be a source for payment of the 2021 City Obligations, and the City Payments do not secure and will not be a source for payment of the 2021 District Notes.

## SECURITY AND SOURCES OF PAYMENT FOR THE AUTHORITY BOND PAYMENTS

*Capitalized terms used in this section and not otherwise defined shall have the meanings given to such terms as set forth in the Financing Agreements. See also APPENDIX B-1–“SUMMARY OF THE ESTERO MUNICIPAL IMPROVEMENT DISTRICT FINANCING AGREEMENT” and APPENDIX B-2–“SUMMARY OF THE CITY OF SAN MATEO FINANCING AGREEMENT.”*

### **Pledge of Net Revenues**

***District.*** Pursuant to the District Financing Agreement, the District pledges the Net Revenues of the District Wastewater Enterprise (as defined herein) as security for its obligation to make its Authority Bond Payments. See “THE DISTRICT WASTEWATER ENTERPRISE.”

Under the District Financing Agreement, “Gross Revenues” and “Maintenance and Operation Costs” and “Net Revenues,” are as defined below. Any capitalized term used in this section and not defined below shall have the same meanings as set forth in the District Financing Agreement.

“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 Wastewater System or otherwise arising from the Wastewater System, including but not limited to investment earnings thereon and including connection or capacity charges; but excluding (i) the proceeds of any ad valorem property taxes levied for the purpose of paying general obligation bonds of the District relating to the Wastewater System, (ii) 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 Wastewater System; and (iii) customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District, or contributions in aid of construction. In addition, Gross Revenues for a Fiscal Year shall include amounts transferred into the Wastewater Fund from the Rate Stabilization Fund in accordance with the District Note Indenture but shall not include any amounts transferred into the Rate Stabilization Fund in that Fiscal Year but only to the extent that such deposits into the Rate Stabilization Fund are made from amounts that would otherwise constitute Gross Revenues that were received by the District during that Fiscal Year.

“Maintenance and Operation Costs” means the reasonable and necessary costs paid or incurred by the District for maintaining and operating the Wastewater System, determined in accordance with generally accepted accounting principles, including but not limited to (i) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Wastewater System in good repair and working order, (ii) amounts payable for operation and maintenance under the Construction/Operation JPA Agreement, and (iii) all administrative costs of the District that are charged directly or apportioned to the operation of the Wastewater System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums. “Operating and Maintenance Costs” does not include (a) payments of debt service on bonds, notes or other obligations issued by the District with respect to the Wastewater System, (b) payments made by the District under the Construction/Operation JPA Agreement or the Joint Powers Agreement in respect of debt service on notes, bonds or other obligations issued by the Authority to finance the project, (c) depreciation, replacement and obsolescence charges or reserves therefor, and (d) amortization of intangibles or other bookkeeping entries of a similar nature.

“Net Revenues” means, for any period, an amount equal to the sum of (i) all of the Gross Revenues received during such period less (ii) the amount required to pay all Maintenance and Operation Costs coming payable during such period.

**City.** Pursuant to the City Financing Agreement, the City pledges the Net Revenues of the San Mateo Sewer Enterprise (as defined herein) as security for its obligation to make its Authority Bond Payments. See “THE SAN MATEO SEWER ENTERPRISE.”

Under the City Financing Agreement, “Maintenance and Operation Costs,” “Net Revenues,” and “Revenues” are as defined below. Any capitalized term used in this section and not defined below shall have the same meanings as set forth in the City Financing Agreement.

“Maintenance and Operation Costs” means the reasonable and necessary costs of maintaining and operating the San Mateo Sewer Enterprise, calculated in accordance with Generally Accepted Accounting Principles, including (without limitation) the reasonable expenses of management, repair and other expenses necessary to maintain and preserve the San Mateo Sewer Enterprise in good repair and working order, and reasonable amounts for administration, overhead, wages of employees, insurance, taxes (if any) and other similar costs or charges required to be paid by the City to comply with the law or terms of the Bonds or Parity Obligations or other Obligations, such as compensation of the trustee, and fees and expenses payable to any Credit Provider (other than in repayment of a Credit Provider Reimbursement Obligation), and accountant and engineering fees, but excluding in all cases (i) depreciation and obsolescence charges or reserves therefor, amortization of intangibles, or other bookkeeping entries of a similar nature, (ii) all costs paid from the proceeds of taxes received by the City, and (iii) all interest charges and charges for the payment of principal, or amortization, of bonded or other indebtedness of the City, and all payments made pursuant to any Qualified Swap Agreement. For the avoidance of doubt, “Maintenance and Operation Costs” includes amounts payable for operation and maintenance under the Construction/Operation JPA Agreement but does not include payments made by the City under the Construction/Operation JPA Agreement or the Joint Powers Agreement in respect of debt service on notes, bonds or other obligations issued by the Authority to finance the project.

“Net Revenues” for any Fiscal Year means the sum of (i) Revenues for such Fiscal Year plus (ii) the amounts, if any, withdrawn from the Rate Stabilization Fund for treatment as Revenues for such Fiscal Year, less the sum of (iii) all Maintenance and Operation Costs for such Fiscal Year and (iv) the amounts, if any, withdrawn by the City from Revenues during such Fiscal Year for deposit in the Rate Stabilization Fund.

“Revenues” means all charges received for, and all other income and receipts derived by the City from the ownership and operation of the San Mateo Sewer Enterprise or arising from the San Mateo Sewer Enterprise, including the proceeds of any Federal Subsidy and all rates, fees, and user charges received by the City for Sewer Service and all connection charges, impact fees, standby charges or similar fees or charges relating to the San Mateo Sewer Enterprise (including without limitation all charges received from other public agencies pursuant to contracts with the City for Sewer Services), together with any receipts derived from the sale of any property pertaining to the San Mateo Sewer Enterprise or incidental to the operation of the San Mateo Sewer Enterprise, together with all interest, profits and other income derived from the investment of moneys in any fund or account established under the City Financing Agreement (other than the Rebate Fund), but exclusive of any moneys derived from refundable deposits made to establish credit and advances, or contributions in aid of construction, or other payments of a similar nature.

## Flow of Funds

***District Flow of Funds.*** Pursuant to the District Financing Agreement, the District will deposit all Gross Revenues of the District Wastewater Enterprise when and as received in the Wastewater Fund (the “District Wastewater Fund”) immediately upon receipt. Money in the District Wastewater Fund will be applied by the District to pay when due the following amounts in the following order of priority:

- (i) all Operation and Maintenance Costs;
- (ii) on or before the fifth business day preceding each Interest Payment Date for the 2021 District Notes, the Authority Bond Payments and all payments of principal of and interest and premium (if any) on Outstanding Parity Obligations;
- (iii) on or before the fifth business day preceding each Interest Payment Date for the 2021 District Notes, the amount that is required to maintain the debt service reserve fund for any Parity Obligations in accordance with the terms of the Parity Obligation;
- (iv) any other payments required to comply with the provisions of the Authority Formation JPA Agreement, the Construction/Operation JPA Agreement and any Parity Obligation Documents; and
- (v) any other lawful purposes of the District Wastewater Enterprise.

***City Flow of Funds.*** Pursuant to the City Financing Agreement, the City will deposit all Revenues of the San Mateo Sewer Enterprise when and as received in the City of San Mateo Sewer Revenue Fund (the “Sewer Revenue Fund”) which fund the City will maintain so long as the City Payments are unpaid. Money in the Sewer Revenue Fund, after paying as they become due and payable all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not immediately required), will be applied by the City to pay when due the following amounts in the following order of priority:

- (i) on or before the fifth business day preceding each Interest Payment Date for the 2021 City Obligations, the City will, from amounts in the Sewer Revenue Fund, transfer to the Trustee an amount that, together with amounts held by the Trustee for that purpose, is equal to the interest amount becoming due and payable on such Interest Payment Date;
- (ii) on or before the fifth business day preceding each Interest Payment Date for the 2021 City Obligations, the City will, from amounts in the Sewer Revenue Fund, transfer to the Trustee an amount that, together with amounts held by the Trustee for that purpose, is equal to the principal amount becoming due and payable on such Interest Payment Date;
- (iii) on or before the fifth business day preceding each Interest Payment Date for the 2021 City Obligations, the City will, from moneys in the Sewer Revenue Fund, pay to the party entitled thereto or transfer or cause to be transferred to any applicable debt service or other payment fund or account for any Parity Obligations, without preference or priority between transfers made pursuant to the preceding clauses (i) and (ii), on the dates specified in the Issuing Instrument relating to such Parity Obligations, the sum or sums required to be paid or deposited in such debt service or other payment fund or account with respect to principal, premium, if any, and interest on Parity Obligations; and

(iv) all money on deposit in the Sewer Revenue Fund in excess of the sums required to be set aside on or before the fifth business day preceding each Interest Payment Date by the provisions of the foregoing clauses (i), (ii) and (iii) shall be available for any lawful purpose of the San Mateo Sewer Enterprise.

### **Existing and Future Parity Obligations of the Members**

**No Senior Lien Debt.** The Financing Agreements prohibit the Members from issuing or incurring any additional bonds or other obligations that are senior to the Member's Payments.

**Future Member Parity Obligations.** Each Financing Agreement authorizes the related Member to incur additional debt payable from its Net Revenues (a "Parity Obligation"), subject to certain conditions. The conditions under which Parity Obligation can be incurred is different for each Member. See APPENDIX B-1—"SUMMARY OF THE ESTERO MUNICIPAL IMPROVEMENT DISTRICT FINANCING AGREEMENT" and APPENDIX B-2—"SUMMARY OF THE CITY OF SAN MATEO FINANCING AGREEMENT."

**Existing District Parity Obligations.** The District Payments are payable from Net Revenues of the District Wastewater Enterprise on a parity basis with the outstanding Existing District Obligations. The annual payment schedule for the Existing District Obligations, for each fiscal year, is set forth under the heading entitled "DEBT SERVICE SCHEDULES FOR EXISTING PARITY OBLIGATIONS."

**Existing City Parity Obligations.** The City Payments are payable from Net Revenues of the San Mateo Sewer Enterprise on a parity basis with the outstanding Existing City Obligations. The annual payment schedule for the Existing City Obligations, for each fiscal year, is set forth under the heading entitled "DEBT SERVICE SCHEDULES FOR EXISTING PARITY OBLIGATIONS."

### **Rate Covenants**

**District.** The District will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield:

Gross Revenue Covenant. Gross Revenues (excluding transfers to the Wastewater Fund from the Rate Stabilization Fund) which are sufficient to pay all obligations of the District which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues in such Fiscal Year, including all Payments and payments of principal of and interest on Parity Obligations; and

Net Revenue Covenant. Net Revenues at least equal to 120% of the Authority Bond Payments and payments of principal of and interest on Parity Obligations coming due in such Fiscal Year.

The District may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary but will not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of the District Financing Agreement. The District will increase such rates, fees and charges whenever necessary to produce Net Revenues sufficient to meet the requirements of the District Financing Agreement.

**City.** The City will at all times fix, prescribe and collect rates and charges for the water reclamation and sewage collection, treatment, and disposal service made available or provided by the San Mateo Sewer Enterprise during each Fiscal Year which will be at least sufficient to yield:

- (i) Net Revenues for such Fiscal Year at least equal to 120% of Debt Service on the City's Payments and any Parity Obligations for such Fiscal Year; and
- (ii) Net Revenues equal to 100% of Debt Service on the City's Authority Bonds Payments and all Parity Obligations plus debt service on all Subordinated Obligations for such Fiscal Year.

The City may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary but will not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of the City Financing Agreement. The City will increase such rates, fees and charges whenever necessary to produce Net Revenues sufficient to meet the requirements of the City Financing Agreement.

### **Rate Stabilization Fund**

Each Member will maintain and hold a separate fund to be known as the "Rate Stabilization Fund" pursuant to its respective Financing Agreement. From time to time a Member may deposit in its Rate Stabilization Fund from its Net Revenues such amounts as the Member determines, provided that deposits for each Fiscal Year may be made until (but not after) 180 days following the end of such Fiscal Year. A Member may withdraw amounts from its Rate Stabilization Fund only for transfer to its Sewer Revenue Fund or Wastewater Fund, as applicable, for inclusion in Revenues or Gross Revenues, as applicable, for any Fiscal Year, such withdrawals to be made until (but not after) 180 days after the end of such Fiscal Year. All interest or other earnings upon deposit in a Rate Stabilization Fund are required to be withdrawn therefrom and accounted for as Revenues or Gross Revenues, as applicable. Amounts on deposit in a Rate Stabilization Fund are not pledged to the Authority Bond Payments or any Parity Obligations.

### **Nature of the Authority Bond Payments Obligation**

**Special Obligation.** Each Member's obligation to pay its Authority Bond Payments and any other amounts coming due and payable under its Financing Agreement is a special obligation of the Member limited to its Net Revenues. Under no circumstances is the Member required to advance moneys derived from any source of income other than its Net Revenues and other sources specifically identified in the Financing Agreement for the payment of the Authority Bond Payments and such other amounts. No other funds or property of the Member are liable for the payment of the Authority Bond Payments and any other amounts coming due and payable under the Financing Agreement.

**Obligations Absolute.** The obligations of each Member to pay its Authority Bond Payments from its Net Revenues and to perform and observe the other agreements contained in the Financing Agreement are absolute and unconditional and are not subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Authority of any obligation to the Member. Until all of the Authority Bond Payments are fully paid or prepaid, the Member will (a) not suspend or discontinue payment of any Payments, (b) perform and observe all other agreements contained in its Financing Agreement, and (c) not terminate the Financing Agreement for any cause.

**No Cross-Collateralization.** In the event that one of the Members fails to make its Authority Bond Payments under its Financing Agreement or satisfy any financial obligation under such Financing

Agreement, the other Member has no obligation to pay such amounts and none of the District, the Authority or the Trustee shall have any right to compel the other Member to pay such amounts.

### **Take-Out Financing**

Each of the District and the City intends to use its undrawn loan authorization relating to its 2020 District WIFIA Loan and its 2020 City WIFIA Loans, respectively, to repay the 2021 District Notes and the 2021 City Notes, respectively. However, draws on these WIFIA loans are not limited solely to repay the 2021 District Notes and the 2021 City Notes. Each Member covenants in its Financing Agreement that, no later than February 1, 2025, it will use commercially reasonable good faith efforts to initiate proceedings for a Take-Out Financing, so that the Authority Bond Payments with respect to such 2021 Obligations will be paid in full on August 1, 2025.

The Authority also covenants to cooperate with each Member and provide such assistance to the Member as necessary and proper in connection with any Take-Out Financing. Notwithstanding the foregoing, if the Member reasonably believes that there will be sufficient moneys available in the Wastewater Fund (in the case of the District) or the Sewer Revenue Fund (in the case of the City) to pay its Authority Bond Payments in full by August 1, 2025 without any Take-Out Financings, then no initiation of proceedings for Take-Out Financings will be required.

In the event that a Take-Out Financing is effected, the Member will apply the net proceeds of a Take-Out Financing, together with other available funds, if any, to pay at maturity the 2021 District Notes and the 2021 City Notes, as applicable.

“Take-Out Financing” is defined in each Financing Agreement to mean obligations incurred by the Member, all or a portion of the proceeds of which will be used to pay that Member’s outstanding Authority Bond Payments with respect to the 2021 District Notes (in the case of the District) and 2021 City Notes (in the case of the City). Take-Out Financing may include, among other obligations, (i) a loan from the EPA under the Water Infrastructure Finance and Innovation Act (“WIFIA”) that the District is directly or indirectly obligated to repay (which would include drawings on the 2020 District WIFIA Loan, in the case of the District, and on the 2020 City WIFIA Loans, in the case of the City), (ii) a loan from the California State Water Resources Control Board pursuant to the Clean Water State Revolving Fund program that the Member is directly or indirectly obligated to repay and (iii) other Obligations.

**DEBT SERVICE SCHEDULES FOR 2021 OBLIGATIONS**

Table 2A presents the semi-annual Debt Service schedule on the 2021 District Notes.

**Table 2A**  
**2021 District Notes Debt Service Schedule**

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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Table 2B presents the semi-annual Debt Service schedule on the 2021 City Obligations assuming no optional redemptions of the 2021 City Refunding Bonds.

**Table 2B**  
**2021 City Obligations Debt Service Schedule**

<b>Fiscal Year Ending June 30</b>	<b>2021 City Notes</b>		<b>2021 City Refunding Bonds</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	

## **DEBT SERVICE SCHEDULES FOR EXISTING PARITY OBLIGATIONS**

Table 3A presents the scheduled annual debt service on the 2019 District Financing Agreement and 2021 District Notes and the estimated debt service on the 2020 District WIFIA Loan.

**Table 3A  
District Parity Obligations Debt Service Schedule**

<b>Fiscal Year Ending June 30</b>	<b>2019 District Financing Agreement</b>	<b>2021 District Notes<sup>(1)*</sup></b>	<b>Estimated 2020 District WIFIA Loans<sup>(2)</sup></b>	<b>Total</b>
2021	\$2,083,625	--	--	\$2,083,625
2022	2,087,125	--	--	2,087,125
2023	2,084,250	--	--	2,084,250
2024	2,085,000	--	--	2,085,000
2025	2,084,250	\$1,893,938	--	3,978,188
2026	2,086,875	1,623,375	\$370,130	4,080,380
2027	2,087,750	--	2,555,663	4,643,413
2028	2,086,875	--	2,555,662	4,642,537
2029	2,084,250	--	2,555,663	4,639,913
2030	2,084,750	--	2,555,662	4,640,412
2031	2,088,125	--	2,555,663	4,643,788
2032	2,084,375	--	2,555,662	4,640,037
2033	2,083,500	--	2,555,663	4,639,163
2034	2,085,250	--	2,555,662	4,640,912
2035	2,084,500	--	2,555,663	4,640,163
2036	2,086,700	--	2,555,662	4,642,362
2037	2,086,400	--	2,555,663	4,642,063
2038	2,084,100	--	2,555,662	4,639,762
2039	2,084,175	--	2,555,663	4,639,838
2040	2,086,950	--	2,555,663	4,642,613
2041	2,083,750	--	2,555,663	4,639,413
2042	2,088,350	--	2,555,663	4,644,013
2043	2,085,650	--	2,555,663	4,641,313
2044	2,085,650	--	2,555,662	4,641,312
2045	2,088,150	--	2,555,663	4,643,813
2046	2,084,625	--	2,555,663	4,640,288
2047	2,084,250	--	2,555,663	4,639,913
2048	2,084,500	--	2,555,662	4,640,162
2049	2,085,125	--	2,555,663	4,640,788
2050	2,085,875	--	2,555,663	4,641,538
2051	--	--	2,555,663	2,555,663
2052	--	--	2,555,662	2,555,662
2053	--	--	2,555,663	2,555,663
2054	--	--	2,555,663	2,555,663
2055	--	--	2,555,663	2,555,663
2056	--	--	2,555,663	2,555,663

\* Preliminary; subject to change.

(1) Interest only. Capitalized interest payments not shown in table. Principal paid with proceeds of 2020 District WIFIA Loan.

(2) Loan sized to redeem 2021 District Notes. See "SECURITY AND SOURCES OF PAYMENT FOR THE AUTHORITY BOND PAYMENTS--Take-Out Financing." Interest rate fixed at 2020 closing at 1.14%.

Table 3B presents the scheduled annual debt service on the 2014 City Bonds, 2019 City Financing Agreement and 2021 City Obligations, and the estimated debt service on the 2020 City WIFIA Loans.

**Table 3B**  
**City Parity Obligations Debt Service Schedule**

<b>Fiscal Year Ending June 30</b>	<b>2014 City Bonds</b>	<b>2019 City Bonds</b>	<b>2019 City Financing Agreement</b>	<b>2021 City Refunding Bonds*</b>	<b>2021 City Notes<sup>(1)*</sup></b>	<b>Estimated 2020 City WIFIA Loans<sup>(2)</sup></b>	<b>Total</b>
2021	\$2,293,440	\$1,684,283	\$10,947,250	--	--	--	\$14,924,973
2022	2,293,815	1,684,283	10,947,250	\$445,375	--	--	15,370,723
2023	2,291,440	1,684,283	10,947,250	1,314,375	--	--	16,237,348
2024	2,291,190	1,684,283	10,947,250	1,378,750	--	--	16,301,473
2025	2,292,815	1,684,283	10,947,250	1,375,000	\$8,393,146	--	24,692,493
2026	2,291,190	1,684,283	13,404,250	1,374,625	7,194,125	\$1,945,907	27,894,379
2027	2,291,190	1,684,283	14,380,000	1,377,375	--	6,605,674	26,338,522
2028	2,292,565	1,684,283	15,348,000	1,373,250	--	6,999,515	27,697,612
2029	2,291,265	1,684,283	15,340,500	1,382,000	--	7,393,318	28,091,366
2030	1,357,246	1,684,283	15,335,625	1,066,500	--	7,787,083	27,230,737
2031	1,360,658	1,684,283	16,419,750	1,067,250	--	8,180,810	28,712,750
2032	1,357,919	1,684,283	16,420,625	1,066,500	--	8,574,498	29,103,824
2033	1,358,813	1,684,283	16,418,875	1,069,125	--	8,968,145	29,499,240
2034	1,357,938	1,684,283	16,418,625	1,065,125	--	9,361,752	29,887,722
2035	1,355,725	1,684,283	16,418,875	1,069,375	--	9,755,320	30,283,577
2036	1,357,550	1,684,283	16,417,600	1,066,750	--	10,148,846	30,675,028
2037	1,357,263	1,684,283	16,421,950	1,067,250	--	10,542,329	31,073,074
2038	1,359,731	1,684,283	16,420,100	1,070,625	--	10,935,770	31,470,509
2039	1,355,981	1,684,283	16,422,125	1,071,750	--	11,329,169	31,863,307
2040	1,356,013	1,684,283	16,421,450	1,070,625	--	11,722,524	32,254,894
2041	1,358,400	1,684,283	16,422,450	1,072,125	--	12,115,834	32,653,092
2042	1,358,000	1,684,283	16,421,350	1,071,125	--	12,509,101	33,043,859
2043	2,718,200	1,684,283	16,422,450	--	--	12,902,322	33,727,254
2044	2,717,800	1,684,283	16,420,050	--	--	13,295,497	34,117,630
2045	2,718,300	1,684,283	16,418,450	--	--	13,688,627	34,509,659
2046	--	1,684,283	16,419,875	--	--	14,081,708	32,185,866
2047	--	1,684,283	16,417,375	--	--	14,474,742	32,576,400
2048	--	1,684,283	16,420,375	--	--	14,867,728	32,972,386
2049	--	1,684,283	16,422,000	--	--	15,260,665	33,366,948
2050	--	1,684,283	16,420,500	--	--	15,653,553	33,758,335
2051	--	1,684,283	--	--	--	16,046,389	17,730,672
2052	--	1,684,283	--	--	--	16,439,176	18,123,458
2053	--	1,684,283	--	--	--	16,831,911	18,516,194
2054	--	1,684,283	--	--	--	17,224,593	18,908,876
2055	--	1,684,283	--	--	--	17,617,223	19,301,506
2056	--	1,684,283	--	--	--	18,009,799	19,694,081

\* Preliminary; subject to change.

(1) Interest only. Capitalized interest payments not shown in table. Principal paid with proceeds of 2020 City WIFIA Loans.

(2) Aggregate amount of loans sized to redeem 2021 City Notes. See "SECURITY AND SOURCES OF PAYMENT FOR THE AUTHORITY BOND PAYMENTS--Take-Out Financing." Interest rate fixed at 2020 closings at 1.31% for 2020 City WIFIA WWTP Project Loan and 1.32% for the 2020 City WIFIA Collection/Transmission Project Loan.

## **CERTAIN RISKS TO BOND OWNERS**

*The following information should be considered by potential investors in evaluating the credit quality of the 2021 Obligations. However, it does not purport to be an exhaustive list of the risks or other considerations which may be relevant to an investment in the 2021 Obligations. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.*

### **Potential Impact of COVID-19 Pandemic**

The COVID-19 Pandemic is materially adversely affecting the local, state and world economies. Neither the District nor City can currently predict the extent or duration of the outbreak or what ultimate impact it may have on the District Wastewater Enterprise's or San Mateo Sewer Enterprise's financial condition or operations. See "COVID-19 PANDEMIC."

### **General**

The payment of principal of and interest on the 2021 Obligations is secured solely by a pledge of the related Authority Revenues and certain funds under the related Indenture. Authority Revenues primarily consist of Authority Bond Payments made by a Member under its Financing Agreement.

The obligation of each Member to pay the Authority Bond Payments under its Financing Agreement is secured by a pledge of the Member's Net Revenues. The realization of Net Revenues sufficient to enable a Member to pay its Authority Bond Payments is subject to, among other things, the capabilities of each Member to manage its Enterprise, the ability of each Member to provide wastewater services to its users, and the ability of each Member to establish and maintain fees and charges sufficient to pay its Maintenance and Operation Costs and provide the required debt service coverage on its Authority Bond Payments and any Parity Obligations.

Among other matters, drought, general and local economic conditions and changes in law and government regulations (including initiatives and moratoriums on growth) could adversely affect the amount of revenues realized by the Members and ultimately the ability of the Members to pay their Authority Bond Payments to the Authority.

### **Initiatives; Changes in Law**

In recent years several initiative measures have been proposed or adopted which affect the ability of local governments to increase taxes and rates. Article XIII A, Article XIII B, Article XIII C, Article XIII D, and Proposition 218, were adopted as measures that qualified for the ballot through California's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the Members or local districts to increase revenues or to increase appropriations which may affect the revenues of the Members or their ability to expend its revenues. There is no assurance that the electorate or the State Legislature will not at some future time approve additional limitations which could affect the ability of the Members to implement rate increases which could reduce their ability to make Authority Bond Payments under the respective Financing Agreement and adversely affect the security for the 2021 Obligations.

## **Statutory and Regulatory Impact**

Laws and regulations governing collection and treatment of wastewater are enacted and promulgated by government agencies on the federal, State and local levels. Compliance with these laws and regulations may be costly, and, as more stringent standards are developed, these costs will likely increase. In addition, claims against a Member for violations of regulations with respect to its facilities and services could be significant. Such claims would be payable from the revenues of the Wastewater Enterprise or Sewer Enterprise, as applicable, of such Member or from other legally available sources of such Member. See also “THE SAN MATEO SEWER ENTERPRISE—Regulatory Compliance—*Cease and Desist Order.*”

## **No Obligation to Tax**

The obligation of each Member to make Authority Bond Payments under the applicable Financing Agreement does not constitute an obligation of such Member for which it is obligated to levy or pledge any form of taxation, or for which such Member has levied or pledged any form of taxation. The obligation of each Member to make Authority Bond Payments under the applicable Financing Agreement does not constitute a debt or indebtedness of the Member, the Authority, the State or any of its political subdivisions, within the meaning of any constitutional or statutory debt limitation.

## **Rate Covenant Not a Guarantee**

The ability of each Member to pay its Authority Bond Payments depends on the Member generating Net Revenues to make such payments. Although each Member covenants in its respective Financing Agreement to fix, prescribe, and collect rates and charges at least sufficient to yield Net Revenues equal to 120% of its Authority Bond Payments and any Parity Obligations (as defined in the Financing Agreements), no assurance can be made that the imposition and collection of such rates and charges will result in the generation of Net Revenues in amounts sufficient to pay their respective Authority Bond Payments. The covenants made by the Members in their respective Financing Agreement do not constitute a guarantee that each Member will generate sufficient Net Revenues to make its Authority Bond Payments and debt service payments on any Parity Obligations.

## **Availability of a Take-Out Financing**

Although each Member has secured one or more (as applicable) WIFIA loan from the EPA in an amount sufficient to repay its 2021 District Notes and 2021 City Notes, respectively, draws on the Members’ respective WIFIA loans are not limited to repayment of the 2021 District Notes and 2021 City Notes, as applicable. Further, each Member must comply with a variety of WIFIA loan covenants and obligations in order to make draws on such WIFIA loans. To the extent the WIFIA loans do remain undrawn on the maturity date of the 2021 District Notes and 2021 City Notes, there can be no assurance that the Members will have complied with the terms of their respective WIFIA loans and that the EPA will honor a draw request to repay the 2021 District Notes and 2021 City Notes, as applicable. Each Member has the authority to initiate an alternative Take-Out Financing.

As described under the heading entitled “*SECURITY AND SOURCES OF PAYMENT FOR THE AUTHORITY BOND PAYMENTS,*” each Member covenants in its Financing Agreement that, no later than February 1, 2025, it will use commercially reasonable good faith efforts to initiate proceedings for a Take-Out Financing, so that its Authority Bond Payments will be paid in full with respect to such 2021 Obligations on August 1, 2025. There can be no guarantee that a Take-Out Financing will be available to the Member at any given point in time.

## **Drought**

During a five-year period ending in 2016, the State of California experienced “exceptional drought conditions” (the most severe drought classification) according to the U.S. Drought Monitor. In addition, eight of the last 10 years had below average runoff, which resulted in chronic and significant shortages to municipal, industrial, agricultural, and wildlife refuge supplies, and historically low groundwater levels. As a result of those drought conditions, the Governor and the State Water Board issued Executive Orders, drought emergency regulations, and conservation standards to reduce potable urban water use.

In April 2017, following unprecedented water conservation and record amounts of precipitation, the Governor lifted the drought emergency Executive Orders and rescinded the emergency proclamations for all counties in the State except Fresno, Kings, Tulare, and Tuolumne where emergency drinking water projects continue to help address diminished groundwater supplies. State drought emergency regulations requiring urban water suppliers to stress-test water supplies, and to adopt and adhere to certain mandatory conservation measures were repealed. However, the Executive Order requiring permanent monthly water use reporting and banning wasteful water use practices, such as hosing of sidewalks, driveways, and other hardscapes, and strengthening local drought resilience plans remains in effect.

Although the State drought emergency regulations were repealed and conservation requirements could be imposed by the San Francisco Public Utilities Commission, which supplies potable water to the City, in any year there is a risk of renewed drought conditions. If drought emergency regulations are reinstated, the result could be lower water use by City ratepayers. The rates and charges for the City and for commercial customers of the District are comprised of fixed fees and volumetric charges based on customer class of annualized monthly winter water use. An imposition of water use restrictions in the future could result in a decline in consumption, and unless sewer rates were adjusted upwards to take into consideration the reduced water consumption, the financial condition of the Enterprises could decline and result in lowered debt service coverage if expenses were not correspondingly reduced to compensate for the reduction in revenue. See “The San Mateo Sewer Enterprise–Sewer Service Charge Rates” and “The District Wastewater Enterprise–Wastewater Service Rates and Charges.”

## **Climate Change**

The adoption by the State of the California Global Warming Solutions Act of 2006 (AB 32) and subsequent companion bills demonstrates the commitment by the State to take action and reduce greenhouse gases (“GHG”). The State Attorney General’s Office, in accordance with SB 375, now requires that local governments examine local policies and large-scale planning efforts to determine how to reduce greenhouse gas emissions. Additionally, the State adopted Senate Bill No. 32, which established a revised statewide GHG emission reduction target of 40% below 1990 levels by 2030.

The County is vulnerable to the impacts of climate change, particularly to sea-level rise. In 2018, the County released a report, *County of San Mateo Sea Level Rise Vulnerability Assessment*, which states that more than 30,000 residential and 3,000 commercial parcels in the County with an assessed aggregate value of \$39 billion may be vulnerable to the impacts of sea-level rise in the long-term. The *State of California Sea-Level Rise Guidance 2018 Update* report is the state of California’s most recent document on sea-level rise. For the San Francisco area, the likely range of sea-level rise (with a 66% chance probability) by the year 2100 is between 2.4 and 3.4 feet (depending on emissions rates over that time period). The County infrastructure and facilities at risk include airports, electric substations, wastewater treatment plants, healthcare facilities, police stations, fire stations, and miles of levees.

**Foster City.** Foster City adopted a Climate Action Plan in September 2015 that contained strategies to reduce emissions 15% below 2005 levels by 2020. Foster City is in the process of updating its current CAP to incorporate the specific programs, initiatives, and policies contained in the “Sustainable Foster City Plan.” Foster City expects to complete this update of its CAP by the end of 2021.

Climate change concerns are leading to new laws and regulations at the federal, State and local levels. Research suggests that the State will experience hotter and drier conditions, reductions in winter snow and increases in winter rains, sea level rise, significant changes to the water cycle, increased occurrences of extreme and unpredictable weather events, and increased catastrophic wildfires and severity of flood events. The compound impacts of effects will affect economic systems throughout the State, including within the City and the District. The Authority is unable to predict the impact that such laws and regulations, if adopted, and the effects of climate change will have on the revenues of the Members, however, the effects could be material.

**City.** The City adopted a Climate Action Plan (a “CAP”) in April 2020 that contained strategies to reduce emissions from the current 5.2 metric tons of carbon dioxide equivalent (MTCO<sub>2</sub>e) per-capita to 4.3 MTCO<sub>2</sub>e per-capita by 2030, and 1.2 MTCO<sub>2</sub>e per-capita by 2050. The City exceeded its greenhouse gas (GHG) emissions target of 15% below 2005 levels by 2020 as a part of the 2015 CAP. The City continues to work on the recommended strategies in the CAP. Most recently, the City has adopted reach codes to address building electrification in new construction and adopted a Disposable Food Service Ware Ordinance that will require the use of the compostable disposables instead of plastic disposables in restaurants and food facilities.

## **Earthquakes, Floods, and Other Disasters**

From time to time, the Members are subject to natural calamities that may adversely affect economic activity in the service areas of the Members which therefore may have a negative impact on the Net Revenues of the Members. There can be no assurance that the occurrence of any natural calamity would not cause substantial interference to the Enterprises of the Members, or that any Member would have insurance or other resources available to make repairs to its respective Enterprise, possibly impacting its Net Revenues.

**Earthquake.** There are several geological faults in the greater San Francisco Bay Area that have the potential to cause serious earthquakes that could result in damage to buildings, roads, bridges, and property within the City and the District. There are no known active, potentially active, or inactive faults located within the City or the District. However, the San Andreas, fault, located approximately two miles west of the City and the District, and the Hayward fault, located approximately 14 miles east of the City and the District, are both active. Historic earthquakes have caused strong ground shaking and damage in the San Francisco Bay Area, the most recent being the magnitude 6.9 Loma Prieta earthquake on the San Andreas Fault in October 1989. The epicenter was approximately 50 miles south of the City and the District and caused strong ground shaking for about 20 seconds. Although there were varying degrees of structural damage throughout the Bay Area, there was only minimal damage to facilities owned by the City and the District.

The casualty and liability insurance of the Members may not cover losses due to earthquake. If there were to be an occurrence of severe seismic activity in the service areas of the Members, there could be substantial damage to and interference with the Enterprise of a Member, which could impact the receipt of Net Revenues.

**Liquefaction.** Liquefaction occurs when ground shaking causes the mechanical properties of some fine grained, saturated soils to liquefy and act as a fluid (liquefaction). In order for liquefaction to occur,

three general geotechnical characteristics are present: (i) ground water is within the potentially liquefiable zone, (ii) the potentially liquefiable zone is granular and meets a specific range in grain-size distribution, and (iii) the potentially liquefiable zone is of low relative density. If those criteria are present and strong ground motion occurs, then those soils could liquefy, depending upon the intensity and duration of the strong ground motion. The larger the earthquake magnitude and the longer the duration of strong ground shaking, the greater the potential there is for liquefaction to occur.

Maps prepared by the Association of Bay Area Governments and the United States Geological Survey (the “USGS”) indicate that the City and Foster City are located in high to very-high areas for the potential of experiencing earthquake-induced liquefaction; however, specific soil studies conducted by the City and Foster City in various areas indicate a moderate to high potential for liquefaction.

***Tsunamis and Seiches.*** Tsunamis are waves caused by an underwater earthquake, landslide, or volcanic eruption, while seiches are waves in an enclosed or semi-enclosed body of water such as a lake, reservoir, or harbor. Flooding from tsunamis would generally affect Pacific coastal areas to a greater degree than low-lying areas along San Francisco Bay. Tsunami waves that might reach the Golden Gate entry in the Bay would naturally attenuate, making areas that are further away less susceptible to damaging waves. The greatest risk to the Bay Area is from tsunamis generated by earthquakes elsewhere in the Pacific Ocean.

Though the Bay Area has experienced tsunamis, it has not experienced significant tsunami damage. In 2013, the USGS, in partnership with the United States Department of the Interior, published a tsunami scenario as part of the Science Application for Risk Reduction series that modeled a magnitude 9.1 offshore Alaskan earthquake to study impacts to the State. Assuming that the tsunami reaches the central coast at high tide, the Bay Area can expect heights ranging from two to seven meters near the shore. This study suggests that this scenario of inundation is only likely once in a 100-year period.

Tsunami maps for the City and Foster City prepared by the California Office of Emergency Service (the “Cal OES”) indicate that only the areas outside of the respective levee systems of the City and Foster City are at risk for tsunamis, including adjacent marshlands, tidal flats, and former Bay margin lands that are now artificially filled but are still at or below sea level.

***Flooding.*** Portions of the City and Foster City are protected from the waters of the San Francisco Bay by levee systems. The original perimeters of the levees surrounding the City and Foster City were installed in the early 1900s and were formed with dredged Bay mud deposited on the outboard side of the perimeter channel systems.

The levee systems provide protection for very short-term duration, extreme high tides coupled with infrequent storm events. Levee failure could result from a major seismic event or severe storm conditions.

**Foster City.** Foster City maintains a levee surrounding the majority of the outer perimeter of Foster City. The levee system provides protection from flood hazards and storms.

The Federal Emergency Management Agency (“FEMA”) conducted a coastal flood hazard study in 2014, which determined that approximately 85% of the Foster City levee system did not meet FEMA requirements. FEMA granted Foster City a temporary “seclusion mapping” designation in 2015, which allowed Foster City to remain classified as “Zone X” (*i.e.* an area with reduced flood risk due to levees) and avoid designation as a FEMA special flood hazard area (which would require homeowners and businesses with federally insured loans to procure flood insurance), so long as progress was made to address the deficiencies of the levees.

The required permitting agencies have been identified and construction plans were developed and submitted for approval in fall 2018. Funding for the levee improvements was approved by the voters of Foster City through the passage of Measure P on June 5, 2018 that authorized the issuance of not to exceed \$90 million of general obligation bonds to finance the levee protection planning and improvement project needed to meet FEMA flood protection accreditation standards. The proceeds from the general obligation bonds are expected to provide sufficient funds to construct the levee improvements required for FEMA to classify Foster City as being located within Zone X.

On July 20, 2020, Foster City awarded a construction contract in the amount of \$60,218,000 for construction of the Levee Protection Planning and Improvements Project (CIP 327-657). The project includes construction of improvements to approximately 6.5 miles of Foster City's existing levee system that will increase the height and width of the levee to improve flood protection against storm/tide surges, meet FEMA guidelines, retain FEMA accreditation for the levee, and meet year 2050 sea level rise protection requirements. Based on the location, the improvements will be implemented using a conventional concrete flood/sea wall, earthen levee, or hybrid sheet pile wall. Construction started in September 2020 and is anticipated to be completed by January 2024.

City. The levees of the City are structurally stable, with the exception of approximately 1,300 feet located in the North Shoreview neighborhood adjacent to the City of Burlingame. The City started construction on a series of improvements in 2020. The project includes work at three separate locations: the Coyote Point Levee, Coyote Point Pump Station, and Poplar Pump Station (collectively referred to as the "North Shoreview Project").

The Coyote Point pump station and levee are located west of the Peninsula Humane Society & SPCA Animal Intake facility, north of Airport Boulevard and south of the San Francisco Bay along the shoreline. The Poplar Avenue pump station is located south of the Poplar Creek Golf Course, east of the PG&E substation and west of the San Francisco Bay along the shoreline.

The North Shoreview Project consists of replacing two pump stations with new structures, pumps, electrical equipment, and discharge piping to San Francisco Bay. In addition, approximately 1,300 feet of levee will be raised by approximately 3 to 5 feet.

**Fires.** Fires are typically characterized into three categories: urban fires (fires occurring within a developed area that pose a direct risk to development), wildland-urban interface fires (fires occurring where the built environment and natural areas are intermixed), and wildland fires (fires existing in wilderness lands).

While the primary threat in the Bay Area is from wildfire, urban conflagration (i.e., a large disastrous fire in an urban area) is a major hazard that can occur due to many causes such as wildfires, earthquakes, gas leaks, chemical explosions, or arson. Urban conflagration has been reduced as a general source of risk to the Members through improvements in community design, construction materials, and fire protection systems.

Building codes in the City and Foster City have been strengthened over time to include additional safety features to reduce losses resulting from urban fires.

## **Investment of Funds**

All funds and accounts held under the Indentures are required to be invested in Permitted Investments as provided under the Indenture. See APPENDIX B-3—"SUMMARY OF THE INDENTURES OF TRUST" for a summary of the definition of Permitted Investments. All investments, including the Permitted

Investments and those authorized by law from time to time for investments by public agencies, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, loss of market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indentures or by the Members could have a material adverse effect on the security of the 2021 Obligations.

Each Member invests its funds, including funds of its Enterprise, in accordance with its individual adopted investment policy, which investment policy is subject to review, revision, and approval annually. The purpose of the investment policies is to establish the investment goals of safety, liquidity, and return on investments (in that order). Each investment policy complies with the provisions of the State Government Code, Sections 53600 through 53659 (the authority governing investments for municipal governments in the State). Each investment policy imposes limits on the types of investments to those authorized by State law and establishes further guidelines as set forth therein. Copies of the investment policies may be obtained by contacting each Member.

### **Cybersecurity**

The Members and their respective Enterprises rely on a large and complex technology environment to conduct their operations. Each of the City, the District, and their departments, including the Enterprises, face multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems. The City and the District separately purchase comprehensive Cyber Liability and Data Breach Response insurance up to \$5,000,000 in total limits to protect against Cyber risks. There have been, however, only limited cyber-attacks on the computer systems of the Members and their respective Enterprise. No assurances can be given that the security and operational control measures of the Members or their respective Enterprise will be successful in guarding against any and each cyber threat and attack. The results of any attack on the computer and information technology systems could have a material adverse impact on the operations of the Members and their respective Enterprise and damage the digital networks and systems. The resulting costs and/or impacts on operations and Net Revenues could be material.

### **Limitations on Remedies and Bankruptcy**

In addition to the specific limitations on remedies contained in the Financing Agreements and the Indenture, the rights, obligations and remedies provided in the Indentures and the Financing Agreements 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, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State like the Authority and the Members.

The enforcement of the remedies provided in the Indentures and the Financing Agreements could prove both expensive and time consuming. In addition, the rights and remedies provided in the Indentures and the Financing Agreements may be limited by and are subject to provisions of the federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect creditors' rights. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel in connection with the issuance of the 2021 Obligations, are subject to such limitations. See APPENDIX D—"PROPOSED FORM OF OPINION OF BOND COUNSEL." If the Members fail to comply with their covenants under the respective Financing Agreement or the Authority fails to pay principal of and interest on the respective 2021 Obligations, there can be no assurance of the availability of remedies adequate to protect the interest of the Owners of such 2021 Obligations.

Remedies available to Owners of the 2021 Obligations in the event of a default by the Authority or the Members are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain. In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations of the Authority and the Members, respectively, under the Financing Agreements 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 of California. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel, the form of which is attached as Appendix D, will be similarly qualified.

### **Limited Liability of Authority to the Owners**

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners of the 2021 Obligations with respect to the payment when due of the related Authority Bond Payments by any Member pursuant to its Financing Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the related Indenture.

### **Changes in Law**

There can be no assurance that the State Legislature will not at some future time enact legislation that will amend or create laws resulting in a reduction of moneys securing or available to pay the 2021 Obligations. Similarly, the State electorate could adopt initiatives or the State Legislature could adopt legislation with the approval of the electorate amending the State Constitution which could have the effect of reducing moneys securing or available to pay the 2021 Obligations.

## **CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS**

Described below are certain measures which have impacted or may in the future impact Net Revenues of the Members.

### **Article XIII B of the California Constitution**

On November 6, 1979, California voters approved Proposition 4, the Gann Initiative, which added Article XIII B to the California Constitution. In June 1990, Article XIII B was amended by the voters through their approval of Proposition 111. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year. Increases in appropriations by a governmental entity are also permitted (i) if financial responsibility for providing services is transferred to the governmental entity, or (ii) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness

thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to any entity of government from (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (ii) the investment of tax revenues and (iii) certain State subventions received by local governments. As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate “proceeds of taxes” received by the each Member over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

As amended in June 1990, the appropriations limit for each respective Member in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at each Member’s option, either (i) the percentage change in California per capita personal income, or (ii) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college districts.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

Each Member has advised that it is of the opinion that its charges for sewer or wastewater services are not subject to the limits of Article XIII B because the related revenues do not exceed costs borne by the Members in providing the related services. Each Member covenants in its Financing Agreement that it will prescribe rates and charges sufficient to provide payment of its Authority Bond Payments in each year.

### **Articles XIII C and XIII D of the California Constitution**

**General.** On November 5, 1996, California voters approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D 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, known as the “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 XIII A and XIII C of the State Constitution. The amendments to Article XIII A 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 XIII C 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.
- (3) A charge imposed as a condition of property development.
- (4) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D.

***Property-Related Fees and Charges.*** Under Article XIII D, before a municipality 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 municipality 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 municipality may not impose or increase the property-related fee or charge.

Further, under Article XIII D, 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 Power.*** In addition, Article XIII C 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.”

***Judicial Interpretation of Articles XIII C and XIII D.*** After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General’s opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIII D regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three subsequent court cases have held that certain types of water and wastewater charges could be subject to the requirements of Article XIII D under certain circumstances.

In *Richmond v. Shasta Community Services District* (2004) 32 Cal.4th 409, the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIII D to certain charges related to water service. In *Richmond*, the Court held that capacity 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 XIII D.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (2005) 127 Cal.App.4th 914, the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIII D 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* (2006) 39 Cal.4th 205, 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 XIII D, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIII C'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 XIII C 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 XIII C 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 assets, 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.

In August 2013, an Orange County Superior Court judge ruled that the tiered pricing model of the City of San Juan Capistrano, which charges higher rates to customers who use more water, violates Proposition 218. The City of San Juan Capistrano 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 of San Juan Capistrano's tiered rates were not sufficiently cost justified, but that the Constitution does allow for tiered rates. In July 2015, the California Supreme Court denied a request to depublish the case.

The City believes that its rate structure is distinguishable from the structure deemed unconstitutional in the San Juan Capistrano case and consistent with Proposition 218 and the Constitution because the City's tiered rates correlate with the actual costs for the various tiers. Following the San Juan Capistrano case, the City updated and slightly revised the structure of its water and sewer rates, which is based on the costs of service and thus consistent with the requirements addressed in the case.

***Articles XIII C and XIII D and the City's Sewer Rates and Charges and the District's Wastewater Rates and Charges.*** The City's current sewer rates (see "THE SAN MATEO SEWER ENTERPRISE–Sewer Service Rates and Charges") were adopted by resolution of the City Council on December 1, 2015, and the current District wastewater rates were adopted by the District Board on June 5, 2017 (see "THE DISTRICT WASTEWATER SYSTEM–Wastewater Service Rates and Charges"), each following notice to property owners and a public hearing held at least 45 days after the notice had been mailed, in compliance with Articles XIII C and XIII D.

Further, the City and the District each believe its sewer rates and charges, and wastewater rates and charges, respectively, do not constitute "taxes" under Article XIII C as revised by Proposition 26 because, as described in subsection 1(e)(7) of Article XIII C, they are "property-related fees imposed in accordance with the provisions of Article XIII D" (and are also charges for a "property-related service" as defined in subsection 2(g) of Article XIII D) and because, as described in subsection 1(e)(2) of Article XIII C, they are charged for sewer service, "a specific government service or product provided directly to the payor that is not provided to those not charged."

Each of the City and the District believe that it has complied with the required procedures in connection with its respective rate increases.

**Conclusion.** It is not possible to predict how courts will further interpret Article XIII C and Article XIII D in future judicial decisions, and what, if any, further implementing legislation will be enacted.

Under the *Bighorn* case, local voters could adopt an initiative measure that reduces or repeals the rates and charges of the District or City, though 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, as is the case with respect to the Bonds.

There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIII C and Article XIII D to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for sewer services or wastewater services, or to call into question previously adopted sewer services or wastewater services rate increases.

### **Future Initiatives**

Article XIII B, Article XIII C and Article XIII D were adopted as measures that qualified for the ballot through California's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the District, the City, or local districts to increase revenues or to increase appropriations which may affect the Authority's revenues or its ability to expend its revenues.

## **THE DISTRICT AND FOSTER CITY**

### **District**

The District is a public corporation established in 1960 pursuant to the passage of State Senate Bill No. 51 and formally organized on September 8, 1960, at which time the County Board of Supervisors appointed the District Board.

In 1971, at a special election, the voters approved the boundaries of and incorporation of Foster City as a general law city, elected members of the District Board/City Councilmembers, and determined that the District would be a subsidiary district of Foster City.

The designation of the District as a subsidiary district and the incorporation of Foster City provided for: (i) the creation of the District as an entity that would have the ability to exercise planning, zoning and other powers that are traditionally reserved to a city, and (ii) allowed for "a coordinated and unified single governing body and staff for both the District Board and the City Council."

The District is operated as part of the Foster City Public Works Department.

The boundaries of the District include approximately 2,600 acres fronting the shores of the San Francisco Bay to the north, east, and south. The western boundary of the District adjoins the boundaries of the City.

## **Foster City**

The City of Foster City is a general law city incorporated in 1971 with a council/manager form of government. Policies of the City Council are administered by a City Manager, who is appointed by the City Council. The California Department of Finance estimated the population for Foster City to be 33,033 as of January 1, 2020.

Foster City and the District provide a full range of municipal services. These municipal services include public safety (i.e., the police department), infrastructure maintenance (sanitary sewer collection and pumping system, water distribution system, levee, lagoon, streets, and stormwater systems), construction of capital improvement projects, administration of the franchised recycling and garbage collection services, street sweeping services, traffic signal and street light maintenance services, processing and treatment of wastewater through the Member-Owned Wastewater Treatment Facilities, community development, parks and recreation and general administrative services. For certain economic, demographic and financial information with respect to Foster City, see APPENDIX A-1—"CERTAIN GENERAL, ECONOMIC, DEMOGRAPHIC, AND FINANCIAL INFORMATION RELATING TO THE ESTERO MUNICIPAL IMPROVEMENT DISTRICT AND THE CITY OF FOSTER CITY."

## **THE CITY**

The City is situated in the County, approximately 19 miles south of the City and County of San Francisco and 30 miles north of the City of San José. The City is approximately five miles south of the San Francisco International Airport and is served by two major freeways, north-south U.S. 101 (Bayshore Freeway) and Interstate 280.

The City was incorporated in 1894. It is a California chartered city with a council-manager form of government, whereby the policies of the council (the "City Council") are administered by a city manager, who is appointed by the City Council. The City Council consists of five members who are elected at large on a non-partisan basis for four-year staggered terms. The Mayor is selected annually by the City Council.

The California Department of Finance estimated the population of the City to be 103,087 as of January 1, 2020. For certain economic, demographic and financial information with respect to the City, see APPENDIX A-2—"CERTAIN GENERAL, ECONOMIC, DEMOGRAPHIC, AND FINANCIAL INFORMATION RELATING TO THE CITY OF SAN MATEO."

## **THE DISTRICT WASTEWATER ENTERPRISE**

### **General**

The District is responsible for managing all sanitation services and wastewater treatment for Foster City (over a four-square mile area) through its wastewater collection program (the "Wastewater Enterprise"). This includes management, treatment, and disposal of nearly three million gallons of wastewater generated by Foster City each day and maintenance of sanitary sewer lines, sewer force mains, pumping stations and generators. The maintenance and operation activities performed by the District include, but are not limited to, flushing gravity mains, CCTV inspections, and inspections and maintenance of generators. Additionally, the District is responsible jointly with the San Mateo Public Works department for the operation and maintenance of the WWTP. For a description of the WWTP, see "THE SAN MATEO SEWER ENTERPRISE."

## **Facilities**

The facilities of the District Wastewater Enterprise consist of 63 miles of sanitary sewer lines, 4.5 miles of sewer force mains, 48 pumping stations, 15 permanent standby generators and three portable generators. All wastewater collected for treatment by the District is delivered to the WWTP. See “THE SAN MATEO SEWER ENTERPRISE” for a description of the WWTP facilities and processes.

## **Organization and Management**

**Organization.** Operations of the District Wastewater Enterprise are conducted under the general supervision of the Foster City Public Works division under the overall direction of the City Manager.

For Fiscal Year 2020-21, 12.7 budgeted full-time equivalent (“FTE”) employees (including 3.5 who are unrepresented) are employed directly or indirectly to support the services provided by the District Wastewater Enterprise.

### ***Management***

Dr. Peter Pirnejad, City Manager. Dr. Pirnejad was appointed by the Foster City Council/District Board as City/District Manager for the City of Foster City/Estero Municipal Improvement District starting in January 2021 and brings over 20 years local government experience in public administration. Prior to assuming his role as the City/District Manager for the City of Foster City in January 2021, Dr. Pirnejad led Oracle’s Global Public Sector Industry Strategy focused on State and Local Government as the Executive Director. Dr. Pirnejad has a BA in Environmental Studies and Geography from the University of California, Santa Barbara, as well as a Masters and Doctorate in Policy, Planning and Development from the University of Southern California.

Edmund Suen, Finance Director. Mr. Suen joined Foster City in December 2014, as the Finance Director. He has over 18 years of experience in local government finance. He received his Bachelor’s Degree in Accounting from Golden Gate University and is a California licensed Certified Public Accountant. He is a member of the California Society of Municipal Finance Officers and the Governmental Finance Officers Association.

The Foster City Public Works division is managed by the Public Works Director, the Public Works Maintenance Manager and the Public Works Engineering Manager.

Dante Hall, Assistant City Manager/Acting Public Works and Parks and Recreation Director. Mr. Hall has over 20 years of local government experience in the areas Planning and Community Development, Economic Development, Redevelopment, Public Works, and Human Resources. He provides expert analysis and advice to the City Manager, City Council, department heads, and senior managers. Prior to joining the Foster City Team, he previously served as the Community Development Director for the City of Half Moon Bay where he was responsible for development services and capital improvement projects. Mr. Hall also served as the Redevelopment Administrator for the City of Moreno Valley and as Assistant City Manager for the City of El Monte. During his tenure in El Monte, he was responsible for overseeing the day to day operations of the City and provided focused attention to the areas of planning, public works, economic development, human resources, finance, and civic engagement. Mr. Hall received a Bachelor’s Degree in Social Work (BSW) from Azusa Pacific University, and was selected from a nationally competitive field to participate in the National Urban Fellows’ Academic & Leadership Development Fellowship Program where he earned a Master of Public Administration Degree (MPA) from the City of New York’s Bernard M. Baruch College, School of Public Affairs.

Laura Galli, Public Works Engineering Manager. Ms. Galli was hired as the Public Works Engineering Manager in July 2019. Ms. Galli has worked for the Foster City municipal government since 2001. Prior to her current position, she held the position of Maintenance Manager from July 2018 to July 2019, and Associate Engineer from January 2012 through July 2018. Ms. Galli earned her Bachelor's Degree in Civil Engineering from University of California Berkeley in 1994. She obtained her professional Engineering License in December 2011.

Allen Smith, Public Works Maintenance Manager. Mr. Smith was appointed as the Public Works Maintenance Manager in July 2019, filling a vacancy created by the promotion of Laura Galli to the Public Works Engineering Manager. Mr. Smith has worked for the Foster City Municipal government since 1999. Prior to his current position, he held the position of Maintenance Superintendent of Wastewater from March 2015 to June 2019.

## **Regulatory Compliance**

In addition to the regulatory compliance for the WWTP described under "THE SAN MATEO SEWER ENTERPRISE—Regulatory Compliance," the District is required under State and federal law to meet various requirements that apply to the ownership and operation of its sanitary sewer collection system.

The Regional Board requires that the District demonstrate that it has the legal authority (through ordinances, service agreements, and other binding procedures) to control infiltration and inflow (I/I) from collection systems and private service laterals; require proper design, construction, installation, testing, and inspection of new and rehabilitated sewers and laterals; and enforce violation of ordinances.

In addition, the District must demonstrate compliance with the State Water Resources Control Board Order No. 2006-0003, Statewide General Waste Discharge Requirements for Sanitary Sewer Systems, dated May 2, 2006, which requires: prevention of illicit discharges; proper design and construction of sewers and connections; maintenance and inspection of laterals owned or maintained by the District; limitation of fat, oils, and grease (FOG) and other debris that may cause blockages; inspection of grease producing dischargers; and enforcement of sewer-related ordinances.

## **Wastewater Service Area**

The service area of the District Wastewater Enterprise includes Foster City (the "Wastewater Service Area") and serves an estimated population of 33,033.

Development within the Wastewater Service Area is predominantly residential with a broad cross-section of commercial and light residential development.

A map of the Wastewater Service Area is presented on the next page.

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# ESTERO MUNICIPAL IMPROVEMENT DISTRICT MAP OF SERVICE AREA



Source: Estero Municipal Improvement District.

## Wastewater Service Rates and Charges

**District.** District residential and multi-family residential rates are based on fixed monthly charges billed independent of usage. Commercial customers are billed at a variable rate based on the volume of water usage (which estimates wastewater generation) and the characteristics or strength of the wastewater each generates based upon guidelines from the State Water Resources Control Board.

In June 2017, the District Board approved five-year wastewater rate increases of 14.25% annually commencing in Fiscal Year 2017-18 through Fiscal Year 2021-22 to finance its capital contribution for the WWTP Project. In August 2018, the District Board approved a sixth-year rate increase of 14.25% for Fiscal Year 2022-23. In June 2019, the District Board approved a 10% rate increase for Fiscal Year 2023-24. In June 2020, the District Board approved a 2% rate increase for Fiscal Year 2024-25. Residential (single family) charges are set as flat monthly rates. Townhomes/duplexes/condominiums/apartments are charged based on the number of residential dwelling units. Commercial and non-residential customers are billed based on sewage strength and metered ccf water use. One ccf is equivalent to 748 gallons. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Articles XIII C and XIII D of the California Constitution.”

Rate increases exceeding the general rate of inflation are not expected to be necessary beyond Fiscal Year 2024-25 to finance the District’s share of the WWTP Project. A 10-year history of percentage increase in approved wastewater rates is shown in Table 4A below.

**Table 4A**  
**ESTERO MUNICIPAL IMPROVEMENT DISTRICT**  
**WASTEWATER ENTERPRISE**  
**PERCENTAGE INCREASES IN APPROVED WASTEWATER RATES**  
**Fiscal Years 2015-16 through Fiscal Year 2024-25**

Fiscal Year	Percentage Increase
2015-16	9.50%
2016-17	11.00
2017-18	14.25
2018-19	14.25
2019-20	14.25
2020-21	14.25
2021-22	14.25
2022-23	14.25
2023-24	10.00
2024-25	2.00

Source: Estero Municipal Improvement District.

**Table 4B**  
**ESTERO MUNICIPAL IMPROVEMENT DISTRICT**  
**WASTEWATER ENTERPRISE**  
**ADOPTED SERVICE RATES AND CHARGES**  
**Fiscal Years 2020-21 through Fiscal Year 2024-25**  
**Effective Date (July 1)**

	Fiscal Year				
	2020-21	2021-22	2022-23	2023-24	2024-25
Residential	\$97.34	\$111.21	\$127.06	\$139.77	\$142.57
Townhouse/Duplex	81.77	93.42	106.73	117.40	119.75
Apartment/Condominium	81.77	93.42	106.73	117.40	119.75
Commercial <sup>(1)</sup>					
High Strength <sup>(2)</sup>	17.69	20.21	23.09	25.40	25.91
Medium Strength <sup>(3)</sup>	6.22	7.11	8.12	8.93	9.11
Low Strength <sup>(4)</sup>	4.09	4.67	5.34	5.87	5.99

(1) Charged per cubic centi-feet (ccf) of water use.

(2) Primarily includes food-related businesses such as restaurants, bakeries, dairies, wineries, catering, butcher shops, and fish markets.

(3) Includes customers with wastewater strength factors that are assumed to be similar to residential wastewater strength factors and includes commercial activities such as libraries, spas nail salons, beauty shops, gas stations, and bars.

(4) Includes, among others, banks, laundromats, retail stores, schools, and churches.

Source: Estero Municipal Improvement District.

**Table 5**  
**ESTERO MUNICIPAL IMPROVEMENT DISTRICT**  
**WASTEWATER ENTERPRISE SERVICE AREA**  
**DISTRIBUTION OF CUSTOMER ACCOUNTS BY TYPE**  
**Fiscal Year 2019-20**

Type of Unit	Number	% of Total
Residential:		
Single Family	4,531	64.0%
Multiple Family	65	0.9
Condominium/Townhouse	2,236	31.6
SUBTOTAL	6,832	96.5
Commercial	164	2.3
Industrial	51	0.7
Institutional†	35	0.5
SUBTOTAL	250	3.5
TOTAL	7,082	100.0%

Source: City of Foster City.

**Table 6**  
**ESTERO MUNICIPAL IMPROVEMENT DISTRICT**  
**WASTEWATER ENTERPRISE**  
**LARGEST USERS**  
**Fiscal Year 2019-20**

<u>City of Foster City</u>	<u>Number of Living Units (U)/CCF</u>	<u>Amount Billed</u>	<u>Percent of Total Billed</u>
Woodmont Managed Apartments	906 Living Units	\$772,344	5.74%
Foster's Landing Apartments	490 Living Units	416,315	3.10
SF Hillsdale 20102012, LLC	400 Living Units	339,849	2.53
Marina Point HOA	364 Living Units	309,262	2.30
Grupe-Schooner Bay	312 Living Units	265,082	1.97
The Plaza	307 Living Units	266,094	1.98
Avalon Bay Communities	288 Living Units	244,691	1.82
Isle Cove HOA	280 Living Units	237,894	1.77
PWM Residential Venture LLC	280 Living Units	239,980	1.78
Gilead Sciences	43,483 CCF	234,006	1.74
SUBTOTAL		3,325,517	24.73
All Others		10,122,225	75.27
TOTAL ANNUAL BILLING FOR FOSTER CITY USERS <sup>(1)</sup>		\$13,447,742	100.00%

(1) Excludes sewer connection and late fee revenues.

Source: City of Foster City and Estero Municipal Improvement District.

## Wastewater Connection Fee

Wastewater connection fee charges for the District for Fiscal Year 2019-20 are summarized in the table below.

**Table 7**  
**ESTERO MUNICIPAL IMPROVEMENT DISTRICT**  
**WASTEWATER ENTERPRISE**  
**CONNECTION CHARGES**  
**Fiscal Year 2019-20**

Sewer Service Connection Fees	Fees
Single Family Residence	\$7,805.00 per dwelling unit (=1 EDU)
Multi Family	\$4,877.00 per dwelling unit (=0.625 EDUs)
Commercial	\$7,805.00 per EDU (as calculated below)
Low Strength	Low Strength EDUs = est. $gpd^{(1)} + 200^{(2)} \times 0.65^{(3)}$
Medium Strength	Med. Strength EDUs = est. $gpd^{(1)} + 200^{(2)} \times 1.00^{(3)}$
High Strength	High Strength EDUs = est. $gpd^{(1)} + 200^{(2)} \times 2.84^{(3)}$

(1) est.  $gpd$  = commercial customer's estimated gallons per day of indoor water use.

(2) Estimated gallons per day of single family indoor water use.

(3) Strength factors based on baseline single family strengths of 240 mg/L of BOD and 240 mg/L of TSS.

mg/L = milligrams/liter

BOD = Biochemical Oxygen Demand

TSS = Total Suspended Solids

Sources: The Estero Municipal Improvement District.

## Capital Improvement Program

As part of the District's Annual Budget and Five-Year Financial Plan process, the District prepares a Five-Year Capital Improvement Project plan. A Capital Improvement Project plan (or "CIP") is a plan for capital expenditures to provide for the acquisition, expansion or rehabilitation of an element of the District's infrastructure to be incurred over a fixed period of several future years.

The CIP consists of projects to maintain, expand, rehabilitate, and enhance the wastewater collection system infrastructure, including the replacement, rehabilitation, and improvement of sanitary sewer gravity lines, force mains and lift stations. The primary objective of the CIP is to develop and implement projects to ensure continued and reliable delivery of wastewater service. The District typically uses a funding methodology for its CIP that looks at the aggregate cost of anticipated CIP projects over a 10-year period and funds those needs on an annual basis at 1/10th of the total capital expenditures forecast. However, due to the need to address several essential projects over the next 4 years, in Fiscal Year 2021-22, the District plans to set aside, by a transfer from its Wastewater Enterprise Operating Fund, \$2.25 million annually over the next four years and \$1.9 million over the following six years for its CIP Program while maintaining a \$2 million minimum reserve in the Capital Projects Fund in each year of the 10-year planning period. The Member-Owned Wastewater Treatment Facilities are not part of this annual funding and will be funded with debt and surplus District Wastewater Enterprise cash resources not required for operations or the collection system CIP.

## **Insurance on the District Wastewater Enterprise**

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 self-insured for general liability claims up to \$100,000. General liability claims in excess of \$100,000 are insured with PLAN JPA, a joint powers agency for the funding and pooling of insurance coverage. PLAN JPA is a self-insured public-entity risk pool. Workers' compensation claims are insured with The Cities Group, a joint powers agency for the funding and pooling of insurance coverage. The Cities Group purchases third-party commercial insurance to cover for the claims at the limit \$2,500,000 with an excess layer of \$9,000,000 per incident by reinsurance contracts for all employees.

Settled claims have not exceeded the District's excess coverage in any of the past three fiscal years. See APPENDIX A-1—"CERTAIN GENERAL, ECONOMIC, DEMOGRAPHIC, AND FINANCIAL INFORMATION RELATING TO THE ESTERO MUNICIPAL IMPROVEMENT DISTRICT AND THE CITY OF FOSTER CITY—COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2020—Note 11" for a description of the claims activity of the District.

The District is not legally obligated under its Financing Agreement to maintain, or cause to be maintained, earthquake insurance on its District Wastewater Enterprise and the District does not presently maintain earthquake insurance on behalf of the District Wastewater Enterprise. No assurance is made that any earthquake insurance will be provided in the future, or if provided, that such insurance will continue to be maintained in the future. If there were to be an occurrence of severe seismic activity in the District, there could be substantial damage to the WWTP and the collection system owned by the District Wastewater Enterprise, the cost of repair of which could exceed the fund balance available therefor.

In the event of significant earthquake damage to the facilities of the District Wastewater Enterprise, there can be no assurance that Net Revenues would be sufficient to pay the District's Authority Bond Payments.

## **Pension Plan**

All qualified permanent employees are eligible to participate in one of the two separate pension plans offered by Foster City: a Safety Plan for police and fire employees, cost-sharing multiple employer defined benefit pension plan and a Miscellaneous Plan, agent multiple employer defined benefit pension plan that are administered by the California Public Employees Retirement System ("CalPERS"). The employees who staff the District Wastewater Enterprise participate in the Miscellaneous Plan.

The Miscellaneous Plan is an agent multiple-employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City 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 retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees, and their beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment, age and the average of the final 3 years' compensation. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor

Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

**Contributions.** Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of change in the rate. Funding contributions 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. Foster City is required to contribute the difference between the actuarially determined rate and the contribution rates of employees.

**CalPERS Pension Rates.** On April 17, 2013, the CalPERS Board revised the rate smoothing policy to reduce the amortization period of investment gains and losses from a rolling 15-year period to a direct rate smoothing period of 5 years starting in Fiscal Year 2015-16. During Fiscal Year 2013-14 CalPERS reduced the annual rate of investment return assumption from 7.75% to 7.5%. In December 2016, CalPERS further reduced its investment return assumption from 7.5% to 7%. The revised rate smoothing policy and the lower rate of investment return will result in a significant increase in the employer contribution rates for Foster City's Miscellaneous and Public Safety retirement plans. The provisions of the Public Employees' Pension Reform Act of 2013 ("PEPRA") will have a slow but gradual impact on Foster City's budget as the most significant cost-savings provisions of the Act apply primarily to new employees hired after January 1, 2013. Foster City's Fiscal Year 2021-22 employer contribution rates to CalPERS for its Miscellaneous Plan will rise to 38.843% from 36.089%. In recognition of the projected increases in CalPERS retirement benefit costs, the Foster City Council has taken several steps to address this concern, including making a \$3.48 million additional discretionary payment to reduce its unfunded accrued liability to CalPERS in June 2019 and establishing a Pension Liability Sustainability Fund, which is currently funded at over \$3.5 million.

### **Internal Revenue Code Section 401(a) Plan and 457 Deferred Compensation Plan**

Foster City/District employees may contribute a portion of their compensation under the Foster City/District sponsored 401(a) Retirement Plan and 457 Deferred Compensation Plan created in accordance with Internal Revenue Code Section 401(a) and 457. Under these Plans, participants are not taxed on their contributions to the Plans until such contributions are distributed to them; distributions may be made only at termination, retirement or death or in an emergency as defined by the Plans. The laws governing the plan assets require the plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the property of Foster City/the District and are not subject to control by Foster City/the District, such assets have been excluded from these financial statements.

### **Longevity Recognition Benefits**

The Longevity Recognition defined benefits plan offered by Foster City/District is a post-employment obligation, with no associated trust, established for the benefit of the classifications of Police Officer, Police Corporal, Police Sergeant, Police Lieutenant, Police Captain, Police Chief, Firefighter, Fire Captain, Battalion Chief and Fire Chief. It was also offered to the members of the American Federation of State, County and Municipal Employees (AFSCME) bargaining unit who retired after July 1, 2001 and before October 1, 2007. The monthly benefit is calculated based on the years of service and bargaining group, which ranges from \$125 to \$350.

As of June 30, 2020, there were 92 employees covered by the benefits none of whom are employees of the District.

### **Other Post-Employment Benefits (OPEB)**

All Foster City/District employees, their surviving spouses, and eligible dependents can continue to participate in the health care program under the provisions of the formal City-sponsored single employer plan at their own cost. Foster City/District will only contribute the minimum amount provided under Government Code Section 22825 of the Public Employee Medical and Hospital Care Act by which, Foster City/District paid \$136 and \$139 per month per family for the period from July 1, 2019 to December 31, 2019 and January 1, 2020 to June 30, 2020, respectively. The Foster City/District contribution for Fiscal Year 2019-20 amounted to \$467,000 which included a \$312,000 implied subsidy benefit payment. The OPEB expense for the District Wastewater Enterprise for Fiscal Year 2019-20 was \$4,708. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

### **Financial Statements**

Foster City's audited financial statements for the Fiscal Year Ended June 30, 2020, which include the financial results of the District Wastewater Enterprise, are attached hereto as APPENDIX A-1—"CERTAIN GENERAL, ECONOMIC, DEMOGRAPHIC, AND FINANCIAL INFORMATION RELATING TO THE ESTERO MUNICIPAL IMPROVEMENT DISTRICT AND THE CITY OF FOSTER CITY—COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2020."

The audited financial statements include information concerning the Foster City's General Fund and other funds, including the District Wastewater Enterprise Fund and the other enterprise funds. The 2021 District Notes are special obligations of the Foster City/the District, secured by and payable solely from the Net Revenues of the District Wastewater Enterprise Fund and other amounts pledged under the Indenture. No other funds of Foster City/District are available for payment of the 2021 District Notes.

## Historical Operating Results

The following table presents a compressed comparison of Net Revenues of the District Wastewater Enterprise Fund from Fiscal Year 2015-16 through 2019-20.

**Table 8**  
**ESTERO MUNICIPAL IMPROVEMENT DISTRICT**  
**WASTEWATER ENTERPRISE FUND**  
**HISTORICAL REVENUES, EXPENSES, AND DEBT SERVICE COVERAGE**  
**Fiscal Year 2015-16 through Fiscal Year 2019-20**

	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Gross Revenues</b>					
Service Charges	\$8,464,663	\$9,168,192	\$10,723,302	\$12,121,747	\$13,649,963
Other	-	-	-	-	-
SUBTOTAL	8,464,663	9,168,192	10,723,302	12,121,747	13,649,963
Interest Income	220,862	101,154	176,910	531,180	1,018,266
Miscellaneous	22,493	36,013	63,591	29,698	26,969.00
Gain (loss) on sales of capital assets	-	(7,860)	-	-	(9,202)
TOTAL GROSS REVENUES	\$8,708,018	\$9,297,499	\$10,963,803	\$12,682,625	\$14,685,996
<b>Maintenance and Operation Expenses</b>					
Total M&O	\$6,462,955	\$7,344,822	\$7,772,005	\$8,176,059	\$7,993,261
Less Depreciation and Amortization	(1,243,094)	(1,248,775)	(1,262,585)	(1,276,108)	(1,248,855)
Net M&O	\$5,219,861	\$6,096,047	\$6,509,420	\$6,899,951	\$6,744,406
Net Revenues	\$3,488,157	\$3,201,452	\$4,454,383	\$5,782,674	\$7,941,590
<b>Debt Service <sup>(1)</sup></b>					
2019 Financing Agreement	-	-	-	-	\$1,041,154
Total Debt Service	-	-	-	-	\$1,041,154
<b>Net Surplus</b>	\$3,488,157	\$3,201,452	\$4,454,383	\$5,782,674	\$6,900,436
Debt Service Coverage	-	-	-	-	7.63x
Cash Position	\$21,815,064	\$22,436,197	\$33,376,415	\$29,277,209	\$31,617,328
Days Cash on Hand	1,525	1,343	1,872	1,549	1,711

(1) The District did not have any outstanding long-term obligations between Fiscal Year 2015-16 and Fiscal Year 2018-19.  
Sources: City of Foster City and Estero Municipal Improvement District Audited Financial Statements for Fiscal Years 2015-16 through 2019-20.

## Projected Operating Results

Table 10 presents projected revenues and expenses of the District Wastewater Enterprise Fund for Fiscal Years 2020-21 through 2027-28 prepared by the District. These projections exclude depreciation charged to the Wastewater Enterprise Fund and are based upon the District's current circumstances and available information that the District believes to be reasonable. The assumptions, which are set forth in the footnotes to Table 10, may be affected by numerous factors and there can be no assurance that such projections will be achieved.

The Clean Water Program anticipated bonding requirements for the District are shown in Table 9. Actual future Clean Water Project costs, and the amount, timing and cost of future debt is uncertain and actual results could vary from the projections shown below.

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**Table 9**  
**ESTERO MUNICIPAL IMPROVEMENT DISTRICT**  
**WASTEWATER ENTERPRISE CLEAN WATER PROGRAM**  
**PROJECTED SOURCES AND USES OF FUNDS**  
**Fiscal Years Ending June 30, 2015-2020 and 2021 through 2027**

Fiscal Year Ending June 30	2015-2020	2021	2022	2023	2024	2025	2026	2027	Total
<b><u>Sources of Funds</u></b>									
2021 District Note/WIFIA Loan Proceeds <sup>(1)</sup>	-	\$1,701,120	\$55,975,350	\$9,184,170	-	-	-	-	\$66,860,640
2019 Bond Proceeds <sup>(2)</sup>	\$22,869,503	17,261,506	-	-	-	-	-	-	40,131,009
SRF/Bond Proceeds	-	-	-	28,173,193	\$5,503,392	-	-	-	33,676,585
Cash	3,888,230	-	1,410,055	1,946,357	1,762,104	\$3,304,831	\$518,440	\$150,994	12,981,012
<b>TOTAL SOURCES</b>	<b>\$26,757,734</b>	<b>\$18,962,626</b>	<b>\$57,385,405</b>	<b>\$39,303,720</b>	<b>\$7,265,496</b>	<b>\$3,304,831</b>	<b>\$518,440</b>	<b>\$150,994</b>	<b>\$153,649,247</b>
<b><u>Uses of Funds</u></b>									
WWTP Project	\$26,757,734	\$18,962,626	\$57,385,405	\$39,303,720	\$7,265,496	\$3,304,831	\$518,440	\$150,994	\$153,649,247
<b>TOTAL USES</b>	<b>\$26,757,734</b>	<b>\$18,962,626</b>	<b>\$57,385,405</b>	<b>\$39,303,720</b>	<b>\$7,265,496</b>	<b>\$3,304,831</b>	<b>\$518,440</b>	<b>\$150,994</b>	<b>\$153,649,247</b>

**SURPLUS**

(1) Excludes WIFIA financing fees.

(2) A portion of the cash loaned by Foster City's General Fund to the District wastewater enterprise in fiscal years 2015-19 was repaid with 2019 Bond proceeds.

Sources: Jacobs for WWTP capital expenditures; Estero Municipal Improvement District for collection system capital expenditures and General Fund loan amount; William Euphrat Municipal Finance, Inc. for other estimates and calculations.

**Table 10**  
**ESTERO MUNICIPAL IMPROVEMENT DISTRICT**  
**PROJECTED REVENUES, EXPENSES, WORKING CAPITAL AND ANNUAL DEBT SERVICE COVERAGE**  
**Fiscal Year 2020-21 through Fiscal Year 2027-28**

<b>Fiscal Year Ending June 30</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>
<b>Gross Revenues</b>								
Service Charges <sup>(1)</sup>	\$14,727,000	\$16,825,598	\$19,223,245	\$21,145,570	\$21,568,481	\$21,999,851	\$22,439,848	\$22,888,645
Connection Fees	130,237	-	-	-	-	-	-	-
SUBTOTAL	14,857,237	16,825,598	19,223,245	21,145,570	21,568,481	21,999,851	22,439,848	22,888,645
Interest Income <sup>(2)</sup>	228,000	117,910	130,103	119,725	132,617	144,050	149,785	156,053
<b>TOTAL GROSS REVENUES</b>	<b>\$15,085,237</b>	<b>\$16,943,508</b>	<b>\$19,353,348</b>	<b>\$21,265,294</b>	<b>\$21,701,098</b>	<b>\$ 22,143,901</b>	<b>\$22,589,632</b>	<b>\$23,044,697</b>
<b>Maintenance and Operation Expenses<sup>(3)</sup></b>	<b>\$(7,880,361)</b>	<b>\$(8,268,597)</b>	<b>\$(8,588,382)</b>	<b>\$(8,921,409)</b>	<b>\$(9,268,256)</b>	<b>\$9,629,526)</b>	<b>\$(10,005,850)</b>	<b>\$(10,397,886)</b>
<b>Net Revenues</b>	<b>\$7,204,876</b>	<b>\$8,674,911</b>	<b>\$10,764,966</b>	<b>\$12,343,885</b>	<b>\$12,432,842</b>	<b>\$12,514,375</b>	<b>\$12,583,783</b>	<b>\$12,646,811</b>
<b>Debt Service</b>								
2020 WIFIA Loan <sup>(4)</sup>	-	-	-	-	-	\$367,878	\$2,540,116	\$2,540,117
2019 Bonds	\$2,083,625	\$2,087,125	\$2,084,250	\$2,085,000	\$2,084,250	2,086,875	2,087,750	2,086,875
2021 District Note <sup>(5)</sup>	-	-	-	-	1,882,417	1,613,500	-	-
2023 SRF Loan/Bonds <sup>(6)</sup>	-	-	697,500	1,395,000	1,395,000	1,395,000	1,968,300	1,969,400
<b>TOTAL DEBT SERVICE</b>	<b>\$2,083,625</b>	<b>\$2,087,125</b>	<b>\$2,781,750</b>	<b>\$3,480,000</b>	<b>\$5,361,667</b>	<b>\$5,463,253</b>	<b>\$6,596,166</b>	<b>\$6,596,392</b>
<b>Annual Debt Service Coverage</b>	<b>3.46x</b>	<b>4.16x</b>	<b>3.87x</b>	<b>3.55x</b>	<b>2.32x</b>	<b>2.29x</b>	<b>1.91x</b>	<b>1.92x</b>
Beginning Working Capital <sup>(7)</sup>	\$27,822,521	\$31,894,772	\$35,952,503	\$36,589,362	\$43,691,143	\$46,157,487	\$50,590,169	\$54,426,791
Plus Revenues Available for CIP <sup>(8)</sup>	24,084,877	62,563,136	45,340,579	14,367,277	7,071,175	7,051,122	5,987,616	6,050,420
Less Total CIP Expenditures <sup>(9)</sup>	(20,012,626)	(58,505,405)	(44,703,720)	(7,265,496)	(4,604,831)	(2,618,440)	(2,150,994)	(2,000,000)
Ending Working Capital	\$31,894,772	\$35,952,503	\$36,589,362	\$43,691,143	\$46,157,487	\$50,590,169	\$54,426,791	\$58,477,210
Days Cash <sup>(10)</sup>	1,477	1,587	1,555	1,788	1,818	1,918	1,985	2,053

- (1) Service charges increase at previously approved rates in Fiscal Year 2021-22 through Fiscal year 2024-25 (14.25%, 14.25%, 10% and 2%) and are assumed to increase 2% annually thereafter. See “–Wastewater Rates and Charges–Table 4B–Adopted Service Rates and Charges.”
- (2) Estimated at earnings rate of 0.5% on various discretionary reserves plus 0.5% earnings rate on 50% of annual service charges.
- (3) Increased by component, with assumed average annual increase of approximately 4%.
- (4) Draw intended to be used to repay 2021 District Notes on August 1, 2025.
- (5) Interest is capitalized for the first 3 years following issuance.

- (6) SRF application under review but not assured. Bond market financing assumed in August 2022 with average rate of 4%, interest only to Fiscal Year 2026-27, \$33.045 million par.
- (7) Fiscal Year 2020-21 beginning working capital is Fiscal Year 2019-20 current assets (net of funds held by trustee) minus current liabilities as reported in the District's audited financial statements for Fiscal Year 2019-20.
- (8) Includes surplus cash flow and proceeds of financings drawn upon by the District. Does not include financing proceeds held by trustee.
- (9) Includes WWTP plus District collection expenditures.
- (10) Calculated as ending working capital/(M&O expenses/365).

Sources: Estero Municipal Improvement District for revenues, operating expenses, capital expenditure requirements and cash reserves. William Euphrat Municipal Finance, Inc., for bond amounts, debt service, and days cash and coverage calculations.

# THE SAN MATEO SEWER ENTERPRISE

## General

The San Mateo Sewer Enterprise is owned and operated by the City under the administration of the City Department of Public Works. The operations of the San Mateo Sewer Enterprise are accounted for in an enterprise fund established and maintained by the City on its books (the “Sewer Revenue Fund”).

The San Mateo Sewer Enterprise consists of the sewer collection system for the residents of the City and the sewage treatment and disposal facilities (including the WWTP) serving the residents of the City, all of Foster City (the “Subregional Partner”) and portions of the neighboring communities of Hillsborough, Belmont, the Crystal Springs County Sanitation District (“CSCSD”), and certain unincorporated areas of the County (collectively, the “Subregional Customers”). See “–Service Area” and “–Subregional Agreements.” Nearly all of the City is included within the area currently served by the San Mateo Sewer Enterprise. As of January 1, 2020, the San Mateo Sewer Enterprise served approximately 41,465, customer accounts, of which 30,520 were located within the City, 7,070 were accounts for the Subregional Partner, and 3,875 were accounts for the Subregional Customers.

## Facilities

The facilities of the San Mateo Sewer Enterprise consist of 37 pump stations, 260 miles of sanitary sewer pipelines, the WWTP, an outfall pipeline to the San Francisco Bay (the “Bay”), and various administrative, maintenance and laboratory facilities.

Wastewater Treatment Plant and Outfall. The original structures at the WWTP were constructed in 1937 and have undergone periodic upgrades and expansions to improve treatment processes and increase capacity. The WWTP became a regional facility in the 1970s when Foster City’s wastewater treatment plant was taken out of service and all of its wastewater flows were diverted to the newly expanded WWTP. Since 1990, the WWTP has gone through two major expansion projects to accommodate higher flows and to increase treatment efficiency, the last of which was substantially completed in the spring of 2009. The current treatment capacity of the WWTP is as follows:

Design Average Dry Weather Flow .....	15.7 mgd <sup>2</sup>
Maximum Secondary Treatment Capacity .....	40.0 mgd
Maximum Outfall Capacity .....	60.0 mgd

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<sup>2</sup> “mgd” means million gallons per day.

The following terminology is used to discuss the design and operation of the WWTP and outfall:

Average Dry Weather Flow (ADWF) is calculated as the average flow of wastewater into the WWTP during May 1 through September 30. The current ADWF is 11.6 mgd. The ADWF is projected to proportionally increase with the population within the service area, resulting in an ADWF of 13.9 mgd by the year 2035.

Peak wet weather flow (PWWF) is the highest measured hourly flow rate into the WWTP during a wet weather event. During wet weather events, the raw wastewater is diluted as a result of the storm and ground water inflow and infiltration. The maximum capacity of the secondary treatment portion of the WWTP under these diluted conditions is 40 mgd. See “–Regulatory Compliance” below for a description of the recent NPDES permit for the WWTP which requires increasing the capacity of the secondary treatment process at the WWTP by 2020. The maximum capacity of the WWTP outfall line is 60 mgd. The WWTP can currently process up to 60 mgd wet weather when a portion of the primary effluent is bypassed around the secondary treatment process and blended with the final effluent.

The PWWF for purposes of determining design capacity requirements is a calculated value based on the projected flows calculated by the sewer system hydraulic model using rainfall from a five-year “design storm” hydrograph. Using a five-year, 6-hour design storm, the hydraulic model predicts a 2035 peak wet weather flow to the WWTP of 98 mgd, which greatly exceeds the current capacity of the existing sewer mainlines, pump stations, and the WWTP.

***Current Treatment Process.*** The WWTP receives raw wastewater from the collection system, separates the solids from the liquids and treats them through two separate processes. The solids loading on the WWTP is relatively stable and increases with population growth because it is a function of the volume of solids deposited by the populace into the system. The hydraulic loading on the WWTP is significantly impacted by inflow and infiltration of ground water and storm water into the collection system and therefore can vary significantly between dry weather conditions and large storm events. The design treatment capacity of the WWTP for ADWF, including dry weather hydraulic and solids loading, is 15.7 mgd.

The WWTP provides secondary (biological) treatment using the activated sludge process. In this process, the raw wastewater first flows into settling tanks (primary clarifiers), where the heavier solids settle and are removed, together with floatable materials which are skimmed off the surface. The clarified wastewater (primary effluent) then flows into aeration basins containing activated sludge, where air is injected to support the biological activity required to purify the wastewater. The activated sludge then flows into settling tanks (secondary clarifiers), where the biological solids settle and are removed, together with floatable materials. The clarified secondary effluent is then disinfected in chlorine contact tanks and dechlorinated prior to being discharged to the Bay pursuant to a permit approved by the State Water Resources Control Board and the United States Environmental Protection Agency (the “USEPA”). See “–Regulatory Compliance.” A portion of the clarified secondary effluent is passed through mixed media pressure filters prior to chlorination/dechlorination to achieve a higher level of treatment (advanced secondary) to ensure compliance with effluent limits contained in the permit. Treated wastewater is discharged to a deep-water channel of the Bay through a submerged outfall 3,700 feet off-shore, approximately 500 feet north of the San Mateo Bridge.

Solids removed from the primary and secondary clarifiers are treated using the process of anaerobic digestion. In this system, the solids are thickened before being pumped into anaerobic digesters. In the digesters, the sludge is heated, mixed, and ultimately transformed into water, methane and carbon dioxide gas, and a reduced-volume sludge. The methane gas is converted to compressed natural gas (CNG) for use by municipal vehicles or, if not usable, is flared. The reduced-volume sludge is coagulated with the addition of polymer before it is dewatered using centrifuges. The resulting centrifuge cake is either land-applied or

hauled to a landfill site. The sites include two land application sites in Merced and Yuma Counties, and one landfill site in Solano County.

**Collection System.** The City is served by a sanitary sewer collection system that includes approximately 260 miles of sanitary sewer pipelines, 5,700 manholes, and 37 pump stations. The collection system largely consists of vitrified clay pipes with 72 percent of the system being over 60 years old. The City’s collection system collects and conveys wastewater to the WWTP.

**Fat, Oils, and Grease.** A fat, oils, and grease (FOG) source control program was initiated in 1995 in an effort to reduce FOG-related sewer line cleaning, FOG buildup in lift stations, and grease collection and removal at the WWTP. At that time, a field survey determined that there were over 300 commercial food service facilities (i.e., FOG generators) in the service area, with and without grease control devices. Routine inspections of food service facilities began in 1996. In 1999, the City Municipal Code was revised to require retroactively that food service facilities install grease control devices that conform to the current version of the Uniform Plumbing Code. The City also began issuing waste discharge permits to food service facilities to further reduce discharges of FOG to the sanitary sewer system.

**Needed Capital Improvements to Sewer Enterprise Facilities.** The Clean Water Program is a comprehensive plan established to implement a 10-year, approximately \$1 billion capital improvement program to upgrade the wastewater treatment plant and wastewater collection system as defined in 2015 validation studies completed by CH2M and the City’s program management team on the 2014 Master Plan. The goals of the Clean Water Program are to: (i) replace aging wastewater system infrastructure and facilities; (ii) construct and install wet weather sewer system capacity to prevent sanitary sewer overflows (SSOs) during heavy rains; (iii) meet regulatory requirements, and (iv) construct and install improvements that align with the sustainability goals of the City and the District and Foster City. See “–Clean Water Program.”

**Organization and Management**

**Organization and Management.** Operations and management of the San Mateo Sewer Enterprise and the Clean Water Program are conducted under the general supervision of the City’s Director and Deputy Director of Public Works. Daily operations of the San Mateo Sewer Enterprise are under the direct supervision of the Deputy Director of Public Works.

For Fiscal Year 2020-21, 87.81 budgeted full-time equivalents (including 4.63 who are unrepresented) are employed directly or indirectly to support the services provided by the San Mateo Sewer Enterprise.

Employees assigned to the San Mateo Sewer Enterprise are represented by the following bargaining units with the following Memorandum of Understanding expiration:

<u>Bargaining Unit</u>	<u>Number of Employees</u>	<u>Expiration Date</u>
San Mateo City Employees’ Association	19.25	06/25/2022
San Mateo Management Association	21.70	04/15/2023
SEIU Local 521 Maintenance Unit	40.62	06/12/2021†
TOTAL	81.57	

† Negotiations in process.  
Source: City of San Mateo.

## ***Management***

Azalea Mitch, Director of Public Works. Ms. Mitch joined the City in 2018 as the Deputy Public Works Director and has been responsible for overseeing the Clean Water Program, the wastewater treatment facility and the expansion project, asset management, and the field maintenance group, which includes the City's collection system. Ms. Mitch was appointed Director of Public Works in April 2021 and now has oversight of the Public Works Department which provides engineering, regulatory and maintenance services in the areas of: the Clean Water Program, capital programs, traffic and transportation engineering, land development, parking, solid waste and recycling, the WWTP, fleet, facilities, lighting, traffic signals, signs and pavement markings, roadways, sewers, storm drainage, street sweeping, environmental compliance, and asset management. Ms. Mitch has more than 25 years of experience in the civil and environmental engineering field, including water and wastewater design and capital improvement plan project management. Ms. Mitch received her undergraduate degree in Civil and Environmental Engineering from the University of California at Berkeley and a Master's Degree in Environmental Management from Yale University. Ms. Mitch holds a professional Civil Engineering license in the State of California.

Rich Lee, Director of Finance. Mr. Lee joined the City in January 2019 as the Finance Director. In this position, he provides guidance, oversight, and coordination of all departmental aspects and functions, and participates in meetings with the City Council, boards, committees, residents, and labor groups regarding financial and administrative matters of the City. Mr. Lee has more than 15 years of experience in municipal finance, most recently as Director of Finance for the City of South San Francisco. Mr. Lee received his undergraduate degree in Music from California State University, Hayward, and a Master's Degree in Music Performance from the Peabody Conservatory of the Johns Hopkins University. Mr. Lee recently completed a three-year term on the Board of Directors for the California Society of Municipal Finance Officers.

Abby Veeseer, Business Manager Public Works. Ms. Veeseer was promoted to Business Manager in 2016 and is responsible for management of the administrative division which includes finance and budget administration, project planning, contract management and work plan development. She originally joined the City in October 2005 as a Senior Management Analyst. Ms. Veeseer brings more than 20 years of experience in municipal government administration providing operational and financial analysis in the areas of housing, economic development, recreation management, parks maintenance and public works. Ms. Veeseer received her undergraduate degree in American Studies from Stanford University, and a Master of Business Administration degree from the University of California, Berkeley.

Deryk Daquigan, Clean Water Program Manager/Public Works Engineer Manager. Mr. Daquigan joined the City in 2016. As the Clean Water Program Manager for the City, he is responsible for overseeing the capital improvements to the San Mateo-Owned Collection Facilities. Mr. Daquigan has more than 15 years of experience in the civil and environmental engineering industry and delivery of municipal capital improvement projects. Mr. Daquigan received his Bachelor of Science degree in civil and environmental engineering from San Jose State University. Mr. Daquigan is registered as licensed professional civil engineer in the State of California.

## **Subregional Partner and Subregional Customers**

The Subregional Partner served by the treatment and disposal facilities of the San Mateo Sewer Enterprise is the District.

Subregional Customers include the Town of Hillsborough (“Hillsborough”), the City of Belmont (“Belmont”), CSCSD, and certain unincorporated areas of the County of San Mateo (the “County”). The Subregional Partner and Subregional Customers are required by the State Water Resources Control Board to coordinate their wastewater treatment needs and to participate in a single subregional facility for wastewater treatment. The Subregional Customers and the Subregional Partner have entered into agreements with the City to use the WWTP for wastewater treatment (the “Subregional Agreements”). See “–Subregional Agreements.”

Pursuant to the Subregional Agreements, the Subregional Partner and Subregional Customers pay only for their respective pro rata shares of the operation and maintenance expenses associated with the WWTP. See “–Subregional Agreements.” The District, as the Subregional Partner, is responsible for the largest share of these expenses and paid approximately 20.12% of the total WWTP source control operation and maintenance expenses in Fiscal Year 2019-20. The Subregional Customers collectively paid for approximately 8.8% of these operation and maintenance expenses in Fiscal Year 2019-20. The Subregional Partner and the Subregional Customers do not currently pay for San Mateo-Owned Collection Facilities expenses.

The Subregional Agreements also govern the allocation of capacity at the WWTP. See “–Subregional Agreements.” In return for the use of this capacity, the Subregional Partner and the Subregional Customers have agreed to share the costs of the capital improvements and the operating expenditures of the treatment and disposal facilities of the San Mateo Sewer Enterprise. The flow rates and the contributions for operations of the WWTP for the past five Fiscal Years are summarized in Table 11.

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**Table 11**  
**CITY OF SAN MATEO**  
**SEWER ENTERPRISE**  
**WWTP FLOW RATES AND WWTP OPERATIONS COST ALLOCATIONS**

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
<b>Flow Rates (Share)<sup>†</sup>:</b>					
District	19.09	17.51	20.64	19.67	20.12
Hillsborough	5.26	7.14	6.78	9.55	6.06
CSCSD	2.79	2.76	2.65	2.88	2.54
San Mateo County	0.23	0.42	0.21	0.18	0.18
City	<u>72.63</u>	<u>72.17</u>	<u>69.72</u>	<u>67.72</u>	<u>71.10</u>
TOTAL	100.00	100.00	100.00	100.00	100.00
Average Annual Flow Rate- Calendar Year (mgd)	11.63	12.77	10.99	12.4	10.76
Average Annual Flow Rate- Fiscal Year (mgd)	11.11	13.03	11.02	12.16	10.22
<b>Share of Costs of Operations and Maintenance:</b>					
District	\$1,732,569	\$1,748,898	\$2,199,021	\$2,188,875	\$2,184,594
Hillsborough	476,087	732,524	693,028	1,023,647	678,897
CSCSD	252,525	283,161	270,874	308,769	284,380
Belmont	68,357	72,947	107,717	132,701	138,140
San Mateo County	20,817	43,090	21,465	19,332	20,025
City	<u>8,301,652</u>	<u>9,200,671</u>	<u>9,236,279</u>	<u>9,362,911</u>	<u>10,227,860</u>
TOTAL	\$10,852,007	\$12,081,290	\$12,528,384	\$13,036,235	\$13,533,897

<sup>†</sup> City of Belmont's flow rate share is included in City figure.  
Source: City of San Mateo.

### Subregional Agreements

**District.** The City and the District entered into the Construction/Operation JPA Agreement to: (i) construct and install a comprehensive suite of capital improvements, replacements and treatment processes and rehabilitate the Member-Owned Wastewater Treatment Facilities necessary to increase capacity, assure reliability, and meet regulatory compliance requirements; (ii) define and clarify the purchased capacities in the WWTP of the Members upon the completion of the Clean Water Program and distribute the capital improvement costs incurred in connection with the Clean Water Program; (iii) preserve the ongoing operation and maintenance provisions to the existing WWTP prior to January 1, 2015; and (iv) operate and maintain the Member-Owned Wastewater Treatment Facilities. See “–Clean Water Program.”

**Hillsborough, CSCSD, and the County.** The City also entered into an agreement, dated July 18, 1989, with Hillsborough, CSCSD, and the County (in its capacity as a Subregional Customer comprised of unincorporated areas of the County) to rescind earlier agreements and designate their present and future relationships with respect to the use of sewage conveyance and treatment facilities by each of the parties. Among other things this agreement provides for (i) the ownership of trunk sewers and joint usage of the treatment facilities, (ii) the responsibilities for the operation and maintenance of the trunk sewers and jointly used facilities, (iii) the recording and reporting of flow and costs, (iv) the sharing of trunk sewer costs according to each party's flows, (v) the budgeting, billing and collection procedures, and (vi) compliance standards. Subsequent Amendments to the agreement dated September 28, 2010, April 23, 2013 and March 3, 2014 (collectively, with the original agreement dated July 18, 1989, the “1989 Agreement”) have

been executed for the purpose of allocating costs for the Crystal Springs/El Cerrito Trunk Sewer Improvements required by the Cease and Desist Order described below under “–Regulatory Compliance.” The first and second Amendments address costs for environmental and design work for the improvement project, and the third amendment addresses allocation of costs for construction of the improvements. The 1989 Agreement does not set ongoing cost allocations for capital program expenses. The City expects to enter into individual agreements with each of Hillsborough, CSCSD, and the County by July 2021 to rescind and replace the 1989 Agreement in order to more clearly define the contributions of Hillsborough, CSCSD, and the County to pay for the capital costs of the Clean Water Program. Each new individual agreement will incorporate payments to be made by the related Subregional Customer of a capacity charge equal to the Subregional Customer’s pro rata share of the contributions for capital improvements to the WWTP, which payments are expected to be amortized over a period of approximately 30 years.

**Belmont.** The City also has a pre-existing agreement with Belmont dated October 21, 1981, as amended March 1, 2004, that provides for, among other matters, (i) the rights and duties with respect to the operation and maintenance of sewer lines, pumps and treatment facilities, (ii) the rights of Belmont to make additional connections to the sewers, (iii) the connection fees, and payment for conveyance, treatment and disposal of sewage, (iv) the allocation of the capital, debt service and operation and maintenance costs of the sewers and treatment facilities according to prorated usage, and (v) the budgeting, billing and collection procedures.

### **Regulatory Compliance**

**Generally.** The San Francisco Bay Regional Water Quality Control Board (the “Regional Board”) regulates water quality in the San Francisco Bay region under the authority of the Federal Clean Water Act (the “CWA”) and the State’s Porter-Cologne Water Quality Control Act. The Regional Board is the enforcement arm of the State and federal water-pollution-control programs in the San Francisco Bay region. Regulations with respect to sanitary sewer systems pertain to the prohibition against overflows or bypasses of untreated wastewater. Except as provided in the permits, such overflows and bypasses that reach the surface waters of the United States are violations of the CWA and subject to fines by the State Water Resources Control Board and the Regional Board, which have the authority to enforce the CWA in the State.

There are several permits or regulatory orders from the State Water Resources Control Board and the Regional Board which apply to ownership and operation of a sanitary sewer collection system and wastewater treatment plant, and regulate discharges of waste from those facilities. The permits and orders mandate owners of sanitary sewer systems to implement various measures to reduce and prevent SSOs including operational procedures, record keeping and reporting, maintenance activities, and infrastructure renewal and improvement.

Groundwater and storm water enter the City’s collection system through leaky pipes and illegal drain connections. During significant rain events the increased flow in the pipes exceeds the capacity of the San Mateo Sewer Enterprise facilities and results in overflows of diluted but untreated sewage into streets and storm drains which eventually reach creeks and the Bay. These SSOs are a violation of the permits, orders and regulations described in this Official Statement. In 2009, the Regional Board issued a Cease and Desist Order No. R2-2009-0020, described below, mandating elimination of waste discharges and requiring specific actions be taken by the City and two of its Subregional Customers (Hillsborough and the CSCSD) to correct conditions which cause SSOs.

The actions taken by the City to implement these regulatory requirements are documented in various studies, evaluations, and plans the City has undertaken with the assistance of engineering firms and other consultants. The City presents updates to these plans to the State Water Resources Control Board and

the Regional Board to maintain compliance with the permits and regulatory orders described under this heading. The regulations, permits and orders discussed below require that the City upgrade its Sewer Enterprise facilities. The capital improvements required to satisfy these regulatory issues are included in the capital improvement programs prepared by the City and described below under “Capital Improvement Program.”

A brief description of the main permits and regulatory orders relating to the San Mateo Sewer Enterprise is set forth below.

**WWTP.** Discharge of treated wastewater from the WWTP into the deep-water channel of Lower San Francisco Bay, a water of the State and the United States, is regulated by Order No. R2-2018-0016 (National Pollutant Discharge Elimination System Permit (“NPDES”) No. CA0037541), which was adopted on May 9, 2018 and became effective on July 1, 2018, and expires on June 30, 2023. This NPDES waste discharge permit for the WWTP prohibits the bypassing of primary effluent around the secondary treatment process during wet weather flow events (termed “blending”) at the WWTP, with certain exceptions and SSOs. Completion of the Clean Water Program will assist the City and District in operating the WWTP in compliance with the NPDES permit. See “PLAN OF FINANCE” and “THE SAN MATEO SEWER ENTERPRISE—Clean Water Program.”

A portion of the stormwater from the WWTP flows offsite to Seal Slough. This stormwater is covered under the State Water Resources Control Board statewide industrial stormwater NPDES permit (NPDES General Permit No. CAS000001). The WWTP wastewater discharge is also regulated under Regional Board Order No. R2-2017-0041 (NPDES Permit No. CA0038849), which establishes requirements on mercury and polychlorinated biphenyls (PCBs) from wastewater discharges in the region.

**Collection System.** The City’s collection system is subject to the State Water Resources Control Board’s General Waste Discharge Requirements for Sanitary Sewer Overflow and related Monitoring and Reporting Program (General Order, Order No. 2006-0003-DWQ). To provide a consistent, statewide regulatory approach to address SSOs, the State Water Resources Control Board adopted Statewide General Waste Discharge Requirements (WDRs) for Sanitary Sewer Systems, Water Quality Order No. 2006-0003 (Sanitary Sewer Systems WDR) on May 2, 2006. The Sanitary Sewer Systems WDR requires public agencies, including the City that own or operate sanitary sewer systems to develop and implement sewer system management plans and report all SSOs to the State Water Resources Control Board’s online SSO database.

**Cease and Desist Order.** In 2009, the City received Cease and Desist Order No. R2-2009-0020 (the “Cease and Desist Order”) from the Regional Board. The Cease and Desist Order requires the City and two of its Subregional Customers (Hillsborough and the CSCSD), by December 31, 2018, to complete a series of improvements necessary to eliminate conditions in their collection systems that cause or contribute to SSOs or unauthorized discharges from the WWTP, achieve full compliance with Order No. 2006-0003 DWQ relating to the collection system, and comply with the prohibition against unpermitted discharges under the CWA.

Due to the complexities of funding and executing the multi-agency project, some of the interim deadlines in the Cease and Desist Order were not met. However, the City continues to meet and update the Regional Board on the progress of the Clean Water Program and the Regional Board has advised the City it will accept implementation delays as long as substantial progress continues to be made regarding the implementation of the required improvements to the City’s collection system. Although the City cannot provide assurances of compliance by any Subregional Customers with the requirements of the Cease and Desist Order, the City expects to continue to be able to comply with the substance of the requirements of the Cease and Desist Order.

The Cease and Desist Order mandates expansion of the City's preventative maintenance program and requires that significant capital improvements to the San Mateo Sewer Enterprise facilities be constructed. The capital improvement plans discussed below under "–Capital Improvement Program" include the cost of the capital improvements needed to comply with the Cease and Desist Order.

***Stormwater Collection System.*** On November 19, 2015, the Water Board re-issued countywide municipal stormwater permits as one Municipal Regional Stormwater NPDES Permit (the "MRP") to regulate stormwater discharges from municipalities and local agencies in Alameda, Contra Costa, San Mateo, and Santa Clara counties, and the cities of Fairfield, Suisun City, and Vallejo. The City is subject to the MRP, Order No. R2-2015-0049, effective January 1, 2016. This order was due to expire on December 31, 2020. The Water Board notified permittees on December 18, 2020 that the current MRP would "continue in effect and enforceable until the effective date of a new permit." An Administrative Draft of the new MRP was issued February 9, 2021 and was reviewed by the permittees. Comments were submitted to the Water Board and a Draft MRP is expected in late spring/early summer for public review and comment. Afterwards, the draft is expected to be finalized early in 2022 and it is anticipated that the new MRP will become effective on July 1, 2022.

***Violations.*** According to the California Integrated Water Quality System, the Regional Board's electronic reporting system, in the last five years the City has had two Class 1 violations and four Class 2 violations of its wastewater discharge NPDES permit, and none considered priority. The Class 1 violations involved carbonaceous biochemical oxygen demand weekly average and total suspended solids weekly average. Three of the Class 2 violation notices involved chlorine total residual, while one violation involved nickel monthly average. These violations have also been addressed by the City, and no material fines were imposed.

From January 2014 through April 1, 2021, 153 SSOs occurred from the City's collection system, totaling approximately 2.1 million gallons. Over 1.8 million gallons of raw sewage discharged to surface waters, and approximately 357,000 gallons were recovered. The largest SSO was 360,000 gallons on December 11, 2014, and was caused by insufficient collection system capacity during a rain event. On that same day, five other SSOs totaling 59,600 gallons occurred from the San Mateo Sewer Enterprise due to capacity problems.

All of these discharges were violations of the WWTP NPDES Permit, or the General Waste Discharge Requirements for Sanitary Sewer Overflow and related Monitoring and Reporting Program described above. As a result, the Regional Board established an Administrative Civil Liability on the City for \$950,000. The City agreed to pay that amount to the Waste Permit Discharge Fund, of which \$760,000 will be suspended provided the Regional Board is satisfied through completion of a Supplemental Environmental Project ("SEP"). The SEP involved the City agreeing to provide grants and loans to citizens as an incentive to repair their sewer laterals. The City continues to fund this program.

***Future Regulatory Requirements.*** The City believes that the San Mateo Sewer Enterprise facilities comply with current operations and reporting requirements of local, State, and federal regulators. However, the emergence of total nitrogen limits, the increase in bans on the use of landfills and land application for biosolids disposal, and more stringent emissions standards for internal combustion engines may all play a role in future regulations, and regulations may change. Accordingly, compliance with future requirements could substantially increase the costs of capital improvements to the San Mateo Sewer Enterprise and the costs operating and maintaining the San Mateo Sewer Enterprise. See "CERTAIN RISKS TO BOND OWNERS–Statutory and Regulatory Impact."

## Service Area

The service area of the San Mateo Sewer Enterprise includes the City, the District, CSCSD, and portions of the developed areas of the cities of Hillsborough, Belmont, and some unincorporated County area (collectively, the “Service Area”). The population of the Service Area as of January 1, 2020 was estimated by the City to be approximately 150,000. The largest population component of the San Mateo Sewer Enterprise’s Service Area is the City with a population estimated by the State Department of Finance as of January 1, 2020 of 103,087. The population of Foster City is estimated by the State Department of Finance to be approximately 33,033 as of January 1, 2020.

Development within the Service Area is predominantly residential in character although the service area within the City and the District includes some commercial and light industrial uses. The majority of the Service Area (with the exception of as yet five undeveloped parcels within Foster City, which represent less than 0.01% of Foster City) is nearing maximum development. It is anticipated that future growth will be derived primarily from the development of small building sites and from redevelopment within the existing residential and commercial areas and will not generate significant increases in demand for sewer services.

A map of the Service Area is presented below.

### CITY OF SAN MATEO SEWER ENTERPRISE MAP OF SERVICE AREA



Source: City of San Mateo.

Table 12 below shows the number of gallons billed within the San Mateo Sewer Enterprise's service area from Fiscal Year 2013-14 through Fiscal Year 2019-20. Table 13 and Table 14 below provide certain data on the characteristics of the service area.

**Table 12**  
**CITY OF SAN MATEO**  
**SEWER ENTERPRISE SERVICE AREA**  
**Subregional Partner and Major Subregional Customers**  
**(million gallons billed)**  
**Fiscal Year 2013-14 through Fiscal Year 2019-20**

<b>Fiscal Year</b>	<b>Cities of San Mateo, Hillsborough, Belmont, CSCSD &amp; County Area</b>	<b>District</b>	<b>Total</b>
2013-14	8.71	2.03	10.74
2014-15	9.89	2.04	12.01
2015-16	8.99	2.04	11.11
2016-17	10.75	2.28	13.03
2017-18	8.75	2.28	11.02
2018-19	9.77	2.39	12.16
2019-20	8.59	2.16	10.76

Source: City of San Mateo.

**Table 13**  
**CITY OF SAN MATEO**  
**SEWER ENTERPRISE SERVICE AREA**  
**Customer Accounts**  
**Fiscal Year 2014-15 through Fiscal Year 2019-20<sup>(1)</sup>**

<b>Fiscal Year</b>	<b>City</b>		<b>District</b>		<b>Total Average Annual Treatment Flow (mgd)</b>
	<b>Customer Accounts<sup>(1)</sup></b>	<b>Average Annual Treatment Flow (mgd)</b>	<b>Customer Accounts</b>	<b>Average Annual Treatment Flow (mgd)</b>	
2014-15	33,749	9.89	7,054	2.04	12.01
2015-16	33,971	8.99	7,075	2.04	11.11
2016-17	34,018	10.75	7,072	2.28	13.03
2017-18	34,193	8.75	7,071	2.28	11.02
2018-19	34,369	9.77	7,070	2.39	12.16
2019-20	34,395	8.59	7,070	2.16	10.76

(1) Includes the cities of San Mateo, Hillsborough, and Belmont, and CSCSD and the County area. Excludes the District.  
Sources: City of San Mateo and the District.

**Table 14**  
**CITY OF SAN MATEO**  
**SEWER ENTERPRISE SERVICE AREA**  
**Average Flow and Accounts of the Subregional Partner and Subregional Customers**  
**Fiscal Year 2015-16 through Fiscal Year 2019-20<sup>(1)</sup>**

	Average Annual Flow (mgd)					Customer Accounts				
	2015-16	2016-17	2017-18	2018-19	2019-20	2015-16	2016-17	2017-18	2018-19	2019-20
City	8.24	9.64	7.91	8.54	7.84	30,096	30,143	30,323	30,494	30,520
District	2.04	2.28	2.28	2.39	2.16	7,075	7,072	7,071	7,070	7,070
CSCSD	0.25	0.30	0.23	0.28	0.22	1,429	1,429	1,429	1,434	1,434
Belmont <sup>(1)</sup>	0.00	0.00	0.00	0.00	0.00	139	139	139	139	139
Hillsborough	0.47	0.77	0.59	0.93	0.52	2,307	2,307	2,302	2,302	2,302

(1) Insignificant daily flow.

Sources: City of San Mateo and the District.

The City’s staff reports that as of Fiscal Year 2019-20, there are approximately 41,465 (including 7,070 customer accounts for the District) customer accounts served by the San Mateo Sewer Enterprise. The distribution of these accounts by type of account for the City is shown below. The accounts for the other Subregional Customers (1,434 for CSCSD, 139 for Belmont and 2,302 for Hillsborough) are mainly residential accounts. For information regarding the customer accounts of the District see “THE DISTRICT WASTEWATER ENTERPRISE–Wastewater Service Rates and Charges.”

**Table 15**  
**CITY OF SAN MATEO**  
**SEWER ENTERPRISE SERVICE AREA**  
**Distribution of Customer Accounts by Type**  
**Fiscal Year 2019-20**

Type of Unit	Number of Accounts <sup>(1)</sup>	% of Total
Residential:		
Single Family	17,948	58.81%
Multiple Family	3,637	11.92
Condominium/Townhouse	7,007	22.96
SUBTOTAL	28,592	93.68
Commercial	1,486	4.87
Industrial	262	0.86
Institutional <sup>(2)</sup>	180	0.59
SUBTOTAL	1,928	6.32
TOTAL	30,520	100.0%

(1) Does not include customer accounts of the District or the Subregional Customers. For District customer accounts see “THE DISTRICT WASTEWATER ENTERPRISE–Service Rates and Charges.”

(2) San Mateo includes Institutional count with Commercial.

Source: City of San Mateo.

## **Sewer Service Charges**

Chapter 3.54 of the San Mateo Municipal Code provides for the establishment of sewer service charges and connection fees, collection procedures, penalties for delinquency, and use of the collected funds.

**General Policy.** The purpose of the sewer service charges, connection fees, and other charges is to provide revenue for the construction, reconstruction, maintenance, and operation of sanitation and sewerage facilities, including both direct and indirect costs, to repay principal and interest on bonds or other obligations issued for those purposes, and for accumulation of a depreciation reserve fund if deemed appropriate by the City.

**Collection of Charges on the Tax Roll.** Pursuant to California law, the City elected to have all sewer service charges for each year collected on the same tax roll as its real property taxes.

**Establishment of Each Year's Charges.** The City establishes a base sewer service charge rate for each customer class (base rate) each Fiscal Year. Each residential customer's monthly charge consists of a fixed charge and a volumetric charge based on that customer's average winter water consumption from November through March of the prior year multiplied by that customer's applicable volumetric rate. Commercial and industrial customers are charged based solely on water use.

In June of each year in conjunction with the adoption of its annual budget, the City Council establishes the budget for the following Fiscal Year for the City sewer service fund (i.e., the Sewer Revenue Fund). See also "–Sewer Service Rates and Charges." If sewer rates have been established in an amount higher than the previous year and such increase has not been approved pursuant to a majority protest procedure, at the second regular scheduled meeting in June the Council holds a special Proposition 218 noticed public hearing to determine if a written majority protest exists to the proposed sewer rate increase. The City Council then reviews and adopts new sewer charges and usage rates by ordinance, if a written majority protest does not exist. The recommended sewer charges and usage rates are supported by a wastewater study and financing plan. Sewer fees based on the final determination of the City Council are then sent to the County Tax Collector during the first part of August for inclusion in the annual real property tax bills.

The sewer service charge constitutes a lien against the real property against which the charge is levied effective as of the first Monday in March immediately preceding the date of levy. All laws applicable to the levy, collection, delinquency, and enforcement of general real property taxes are applicable to the City's sewer service charge, including those pertaining to cancellation, refund, and redemption.

The Tax Collector of San Mateo County includes the amount of the sewer service charge on bills for taxes levied against the respective lots and parcels of land. The first and second installment due on November 1 and February 1 of each year, respectively, become delinquent if not paid by December 10 and April 10 of each year, respectively. With respect to those properties that are not subject to real property taxation through the County Tax Collector, Chapter 3.54 of the San Mateo Municipal Code provides that individual agreements with the property owners shall be required. There are presently five such agreements, representing approximately \$180,000 of annual revenue.

**Enforcement.** In the event of the failure of any owner to pay any sewer service charge when due, the City may (i) allow the payments and penalties to be collected in the same manner as general real property taxes, (ii) institute action in a court of competent jurisdiction to collect any charges, penalties, and interest which may be due and payable in the same manner as any other statutory debts owing to the City, or (iii) take such other action as may be authorized by law and the City Council.

***Teeter Plan.*** The County Board of Supervisors utilizes the alternative method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in section 4701 et seq. of the California Revenue and Taxation Code. Generally, the Teeter Plan provides for a tax distribution procedure in which secured roll taxes and assessments are distributed to taxing agencies within the County on the basis of the tax and assessment levy, rather than on the basis of actual tax and assessment collections. The County then receives all future delinquent tax and assessment payments and penalties. Pursuant to the Teeter Plan, the County establishes a tax and assessment losses reserve fund and a tax resources account, and each entity levying or entitled to receipt of property taxes in the County may draw on the amount of uncollected taxes and assessments credited to its fund, in the same manner as if the amount credited had been collected.

The County is responsible for determining the amount of tax and assessment levy on each parcel that is entered onto the secured real property tax roll. Upon completion of the secured real property tax roll, the County’s Auditor-Controller determines the total amount of taxes and assessments actually extended on the roll for each fund for which a tax levy has been included, and apportions 100 percent of the tax and assessment levies to that fund’s credit. Such moneys may thereafter be drawn against by the taxing agency in the same manner as if the amount credited had been collected. The County determines which moneys in the County treasury (including those credited to the tax and assessment losses reserve fund) will be available to be drawn on to the extent of the amount of uncollected taxes and assessments credited to each fund for which a levy had been included. When amounts are received on the secured tax roll for the current year, or for redemption of tax-defaulted property, Teeter Plan moneys are distributed to the apportioned tax resources funds.

California State law has authorized the Teeter Plan for over 40 years; however, until 1993, it had been implemented by only five counties. Legislation signed by the Governor on July 19, 1993 provided a financial inducement to utilize this simplified account method. So long as the Teeter Plan is in place, the City is expected to be, and has historically been, credited with 100 percent of its property taxes, regardless of any delinquencies in payment of the taxes. However, the County Board of Supervisors may discontinue the Teeter Plan at any time.

### ***Billing of Service Charges to Subregional Partner and Subregional Customers***

Subregional Partner. Pursuant to the Construction/Operation JPA Agreement, service charges are billed to the District on a quarterly basis. Service charges are based on the District’s metered flow as a percent of the total flow to the WWTP facility, applied to WWTP facility operation and maintenance costs. The charge billed at such time equals one-quarter of the District’s respective share of total service charges for each Fiscal Year. The District paid approximately 20.12% of WWTP facility operation and maintenance costs based on flows for Fiscal Year 2019-20. The February 19, 2019 amendment to the Construction/Operation JPA Agreement requires the District to pay 24.12% for capital improvement costs to the Member-Owned Wastewater Treatment Facilities and 12.06% of related Project/Program Management costs. The District’s share of such costs is estimated at \$153.6 million. A portion of the District’s WWTP Upgrade and Expansion Project capital obligations will be funded from the proceeds of the 2021 District Notes and made available to the City, as lead agency for the Project, to pay construction invoices as incurred. See “–Subregional Agreements–District.”

The District, as the Subregional Partner, conducts its own utility billing and bills users within its jurisdiction bimonthly.

Subregional Customers. Service charges are billed quarterly to Hillsborough, the CSCSD, and the County of San Mateo based on each such Subregional Customer’s proportionate flow of wastewater as

measured pursuant to the agreement entered into with such Subregional Customers (see “–Subregional Agreements”). In accordance with the Subregional Agreement with these Subregional Customers, the City will bill such Subregional Customers an annual capacity charge for their respective pro rata share of the Member-Owned Wastewater Treatment Facilities improvements. Such capital charges will be billed quarterly with service charges. Furthermore, the City expects to amend the 1989 Agreement by July 2021 to more clearly define the contributions to be made by the Subregional Customers to the capital costs of the Clean Water Program.

Service charges and capital charges for the City of Belmont are determined in accordance with the City’s agreement with Belmont (see “–Subregional Agreements”) and are billed annually in July of each year.

All of the Subregional Customers collect service charges and capital charges on the secured tax roll as part of their respective rate structures in the same manner as does the City. Connection fees and capacity fees are collected at the time building permits are issued.

### Sewer Service Rates and Charges

Table 16 sets forth Fiscal Year 2019-20 sewer service charges for the City’s largest users.

**Table 16**  
**CITY OF SAN MATEO**  
**SEWER ENTERPRISE**  
**LARGEST USERS**  
**Fiscal Year 2019-20**

User	Gallons Billed (in 000)	Percent of Total Billed	Amount Billed	Percent of Total Billed
Essex Hillsdale Garden Apartments	45,969	1.93%	\$801,129	1.48%
HSC Holdings	15,399	0.64	492,899	0.91
County of San Mateo	25,203	1.06	488,815	0.90
Assn. Bay Meadows I LLC & Bay Meadows II LLC	16,557	0.69	482,673	0.89
Hospitality Investment LLC Lessee	14,846	0.62	423,932	0.78
Borel Square LLC	13,247	.055	372,929	0.69
Aimco Scotchollow Apartments LP	10,311	0.43	338,467	0.62
SI VII LLC	9,583	0.40	303,429	0.56
Park Place HoldCo LLC	7,923	0.33	256,295	0.47
Intl Loan & Mortgage Co	7,303	0.31	254,151	0.47
SUBTOTAL LARGEST USERS	166,342	6.97%	4,214,718	7.78%
All Others	2,221,304	93.03%	49,941,880	92.22
TOTAL ANNUAL BILLING FOR SAN MATEO USERS	2,387,646	100.00%	\$54,156,598	100.00%

Source: City of San Mateo.

The City establishes rates each Fiscal Year based on a wastewater rate study and financing plan. Connection and expansion fee revenue is based on expected development activity in the next Fiscal Year. Prior to Fiscal Year 2018-2019 the City’s sewer rate structure was 100% volumetric. Starting in Fiscal Year 2018-2019 the City changed its rate structure. Residential rates now include two components: (i) a fixed monthly charge per residential dwelling unit that is billed independent of usage, and (ii) sewer usage

charges billed based on metered usage. Commercial and non-residential customers are billed sewer usage charges based on customer class and metered usage, subject to a minimum charge. Flow-dependent residential and commercial sewer usage charges are based on metered water use from November through March, a period of minimal outdoor irrigation, and are levied per one hundred cubic feet (ccf). One ccf is equivalent to approximately 748 gallons. Operating revenues to be contributed by the Subregional Partner and the Subregional Customers are estimated based on their respective contributions to the WWTP flow. Their respective contributions to the capital improvement budget are based on their obligations under the respective agreements (see “–Subregional Agreements”). Non-operating interest income is estimated based on expected investment income on fund balances. The balance of the annual budget is raised from City users of the San Mateo Sewer Enterprise who pay the sewer service charge rate established annually by the San Mateo City Council. Annual rate increases since Fiscal Year 2016-17 are shown in Table 17A, below.

The rates approved by the City for Fiscal Year 2020-21 through Fiscal Year 2022-23 are shown in Table 17B. These rate increases are expected to produce the projected revenue increases shown in Table 17C. The City expects that additional rate increases will be necessary in the future to fund the capital improvement program. See “–Capital Improvement Program.”

**Table 17A**  
**CITY OF SAN MATEO**  
**SEWER ENTERPRISE**  
**HISTORICAL SEWER RATE PERCENTAGE INCREASES**  
**Fiscal Years 2016-17 through 2019-20**

<b>Fiscal Year</b>	<b>Percentage Increase</b>
2016-17	12% <sup>(1)</sup>
2017-18	36 <sup>(1)</sup>
2018-19	14
2019-20	14

(1) Based on the prior 100% volumetric rate structure.  
Source: City of San Mateo.

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**Table 17B**  
**CITY OF SAN MATEO**  
**SEWER ENTERPRISE**  
**APPROVED SERVICE RATES AND CHARGES**  
**Fiscal Years 2020-21 Through Fiscal Year 2022-23**  
**Effective Date (July 1)**

Member/Classification of Use	Fiscal Year		
	2020-21	2021-22	2022-23
Residential			
Fixed Monthly Charge <sup>(1)</sup>	\$47.84	\$53.59	\$60.14
Sewer Usage Charge <sup>(2)</sup>	9.27	10.51	11.80
Commercial			
Sewer Usage Charge	-	-	-
Class B Standard Strength	18.47	20.97	23.60
Class C Moderate Strength	25.43	28.20	31.00
Class D High Strength	36.04	39.09	42.04
Class E Standard Strength <sup>(3)</sup>	-	-	-
Minimum Monthly Charge <sup>(4)</sup>	47.34	53.59	60.14

(1) Charged per dwelling unit.

(2) Rate for Class A residential customers per 100 cubic feet of annualized average monthly winter water use.

(3) Charged to a limited number of accounts on a case-by-case basis based on Sewer rates then in effect.

(4) All commercial bills are subject to a minimum monthly charge.

Source: City of San Mateo.

**Table 17C**  
**CITY OF SAN MATEO**  
**SEWER ENTERPRISE**  
**PROJECTED REVENUE INCREASES BASED ON APPROVED SEWER RATE INCREASES**  
**Fiscal Years 2020-21 Through 2022-23**

Fiscal Year	Percentage Increase
2020-21	13%
2021-22	13
2022-23	12

Source: City of San Mateo.

**Sewer Connection Charges and Impact Fee**

The City charges both a connection fee and an impact fee as new users are connected to the sewer service facilities of its Sewer Enterprise. The connection fee and the impact fee are collected at the time building permits are issued. The connection fee relates to the incremental burden added to the collection system and WWTP for added flow. The connection fee structure for the City, which is reviewed annually, is set forth in the table below. The City's connection fee schedules for Fiscal Year 2020-21 and Fiscal Year 2021-22 were adopted on March 2, 2020 and March 15, 2021, respectively, and became effective 30 days after adoption.

**Table 18**  
**CITY OF SAN MATEO**  
**SEWER ENTERPRISE**  
**CONNECTION CHARGES BY CATEGORY**  
**Fiscal Years 2020-21 and 2021-22**

<u>Sewer Connection Charge</u>	<u>Unit</u>	<u>Cost per Unit</u>	
		<u>2020-21</u>	<u>2021-22</u>
Residential:			
Single-family dwelling	Per connection	\$2,650	\$2,680
Multi-family dwelling			
Apartment, Studio and One Bedroom	Per dwelling unit	1,325	1,340
Apartment, Two Bedrooms	Per dwelling unit	1,991	2,013
Apartment, Three Bedrooms	Per dwelling unit	2,650	2,680
Hotels or Motels	Per room or apartment	1,325	1,340
Board or Lodging Houses	Per bedroom	1,325	1,340
Non-Residential:			
Churches	Per connection	2,650	2,680
Golf Courses	Per connection	2,650	2,680
Hospitals	Per fixture unit, minimum	130	131
Lodges and Clubs	Per fixture unit, minimum	130	131
Rest, Residential, Care and Convalescent Homes	Per fixture unit, minimum	130	131
Schools	Per fixture unit, minimum	130	131
Commercial and Industrial:			
Commercial and Industrial	Per fixture unit, minimum	130	131

Source: City of San Mateo.

In addition to connection fees, the City has two developer impact fees that relate to the WWTP and sewer collection system. They are the WWTP Expansion Fee Phase II assessed against all projects that add new flow to the WWTP, and the South Trunk Fee that is assessed against new projects that add flow to this sub-system. The revenue generated by these impact fees is highly variable and dependent on the level of development in each area. Authorization for the WWTP Expansion Fee has been extended until costs are recovered. Given that the area within the City is nearing maximum development, the City does not expect that connection or impact fees will provide a significant source of revenues to the San Mateo Sewer Enterprise, or that the connection or impact fees will be sufficient to fully recover the costs for which these fees are imposed.

A 10-year history of the City’s sewer connection charge on a per dwelling unit equivalent basis, connection charge revenue, and WWTP Expansion impact fee revenue is shown in the following table.

**Table 19**  
**CITY OF SAN MATEO**  
**SEWER ENTERPRISE**  
**CONNECTION CHARGES, IMPACT FEES, AND REVENUES**  
**Fiscal Year 2010-11 through Fiscal Year 2019-20**

<b>Year Ended June 30</b>	<b>Charge per Dwelling Unit Equivalent</b>	<b>Connection Charge Revenue<sup>†</sup></b>	<b>Impact Fee Revenue</b>
2011	2,282.00	75,058	10,663
2012	2,305.00	72,072	72,930
2013	2,374.00	306,249	332,002
2014	2,374.00	109,111	481,259
2015	2,429.00	343,574	175,275
2016	2,516.00	209,306	445,998
2017	2,581.00	243,297	193,656
2018	2,581.00	184,830	250,523
2019	2,650.00	420,362	256,452
2020	2,650.00	301,556	235,364

<sup>†</sup> Based on receipts.  
Source: City of San Mateo.

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Table 20 sets forth information on current monthly residential sewer and connection charges for sewage systems in the vicinity of the City, with the order ranked by estimated median annual service charge.

**Table 20**  
**SELECTED COMPARABLE MONTHLY RESIDENTIAL SEWER CHARGES**  
**Survey Conducted March 2020**  
**(Based on flat rate or 700 cubic feet of monthly winter water use)**

<b>Provider</b>	<b>Monthly Sewer Fee</b>	<b>Flat Residential Sewer Rate</b>	<b>Rate Includes Usage Based Component</b>
<b><u>SAN MATEO COUNTY</u></b>			
Hillsborough	\$234.42	X	
Burlingame Hills CSD	139.58	X	
Crystal Springs CSD	123.75	X	
Millbrae	122.33	X	X
Montara WSD	104.46	X	X
San Carlos	102.33	X	
San Bruno	101.41	X	X
Pacifica	98.60	X	X
West Bay SD	98.08	X	
Belmont	92.14	X	X
<b>San Mateo District</b>	<b>90.88</b>	<b>X</b>	<b>X</b>
Redwood City	78.24	X	
South San Francisco	62.08	X	
Brisbane	61.00	X	X
Burlingame	54.98		X
East Palo Alto SD	50.00	X	
<b><u>OTHER REGIONAL AGENCIES</u></b>			
Sunnyvale	51.33	X	
Mountain View	42.05	X	
Palo Alto	41.37	X	

Source: Bartle Wells Associates.

### **Capital Improvement Program**

The City manages a capital improvement program (CIP) for the San Mateo Sewer Enterprise that encompasses capital projects, purchases and activities needed to deliver wastewater collection and treatment services. It also outlines planned capital improvements to construct and upgrade infrastructure needed to deliver the desired level of service and to meet the regulatory requirements. A 10-year CIP, also known as the “Clean Water Program,” is included in the biennial business plan of the City’s Department of Public Works.

## Clean Water Program

**Background.** In 2009, the Regional Board issued the Cease and Desist Order requiring the elimination of SSOs (i.e., the release of untreated sewage from a sanitary sewer line before it reaches the WWTP, streets, creeks, the Marina Lagoon, and the San Francisco Bay) that occur primarily during heavy rains when additional water flows into the sewer system and overwhelms the capacity of the WWTP to collect and transport the excess water to the WWTP and provide capacity assurance. See also “–Regulatory Compliance–Violations.” In 2013, the NPDES discharge permit requirements for the WWTP were modified to include elimination of blending (a process used to manage peak flow during and after storms to prevent raw sewage backup or overflows into nearby waters by routing excess flows of wastewater with fully treated wastewater prior to discharge into the San Francisco Bay) and implementation of an integrated approach to collect and treat the combined excess water and wastewater, with an associated compliance schedule. Coupled with the Cease and Desist Order and NPDES requirements, the City developed a Clean Water Program to address the aging wastewater infrastructure.

The Clean Water Program is a comprehensive 10-year approximately \$1 billion capital plan to upgrade the aging treatment facility and wastewater collection system with advanced infrastructure to provide reliable service. The Clean Water Program capital improvements were defined in the 2014 Draft Integrated Wastewater Master Plan (the “2014 Master Plan”) prepared by Carollo Engineers and 2015 validation studies completed by CH2M (the “2015 CH2M Validation Studies”). The Clean Water Program improvements consist of: (i) upgrading and replacing aging facilities in the wastewater collection system and the wastewater treatment plant; (ii) constructing wet weather sewer system capacity to prevent SSOs during heavy rains; (iii) complying with regulatory requirements defined by the Cease and Desist Order and NPDES discharge permit, and (iv) constructing improvements that align with the sustainability goals of the Members. The Clean Water Program is scheduled to be completed in Fiscal Year 2025-26. The Clean Water Program consists of capital improvements to the Member-Owned Wastewater Treatment Facilities and the San Mateo-Owned Collection Facilities.

The City, as the majority owner of the Member-Owned Wastewater Treatment Facilities and lead agency for the Clean Water Program, provides program and project oversight for the implementation of the Clean Water Program. Activities include establishment of the program management office, management of staff and resources, financial modeling, program controls (cost and schedule), public outreach, construction management oversight, permitting, environmental documentation, development of the business processes, document controls, change and risk management, development of design guidelines and standards, and various studies to supplement past and future work related to the Clean Water Program. The City has selected experienced firms to design, construct, and manage the Member-Owned Wastewater Treatment Facilities and San Mateo-Owned Collection Facilities capital improvements. Project management and construction quality assurance for the capital improvements to the Member-Owned Wastewater Treatment Facilities is provided by staff from the City, District, and Jacobs. Project management and construction quality assurance for the capital improvements to the San Mateo-Owned Collection Facilities is provided by staff from the City and Jacobs. Jacobs is an international provider of technical, professional engineering, and construction services. Jacobs will also support and participate in the startup and commissioning of the wastewater treatment and collection facilities.

**Capital Improvements to Member-Owned Wastewater Treatment Facilities.** For the Member-Owned Wastewater Treatment Facilities and pursuant to the terms and conditions of the Construction/Operation JPA Agreement, the City and the District agree to: (i) construct and install a comprehensive suite of capital improvements, replacements, treatment processes, and rehabilitation of conveyance and disposal facilities from the point of entry of the influent sewage lines to the effluent outfall point in the San Francisco Bay, including the associated buildings that are used for treatment of wastewater to comply with regulatory requirements that are necessary to increase capacity, assure reliability, and meet

regulatory compliance requirements; (ii) define and clarify the City’s and District’s purchased capacities in the WWTP upon the completion of the Clean Water Program and distribute the capital improvement costs incurred in connection with the Clean Water Program; (iii) preserve the ongoing operation and maintenance provisions as agreed to in the 1989 Agreement, as amended, and restated by the Construction/Operation JPA Agreement; and (iv) operate and maintain the Member-Owned Wastewater Treatment Facilities. The ownership interest and cost distribution of the Member-Owned Wastewater Treatment Facilities, pursuant to the Construction/Operation JPA Agreement, is allocated 75.88% to the City and 24.12% to the District for capital improvement costs.

The capital improvements to the Member-Owned Wastewater Treatment Facilities are:

- Upgrade and Expansion of the WWTP
- WWTP Immediate Action Projects (Packages 1, 2, and 3)
- WWTP Annual Major Components

These improvements meet the projected peak influent flows and loads into the WWTP, resolve existing plant condition and treatment concerns, meet current regulatory requirements regarding blending, meet anticipated future regulatory requirements, and account for space limitations on site. The proposed improvements provide immediate repair needs, rehabilitation and replacement, wet weather capacity, current and future regulatory compliance, administrative facilities, and flow equalization. The City’s share of the expenditures on the WWTP (including the Subregional Customers) are estimated at \$501.6 million (in 2021 dollars). Additional descriptions and details of these capital improvements are provided below.

Upgrade and Expansion of the WWTP. The Upgrade and Expansion of the WWTP is the largest capital improvement within the Clean Water Program and the most significant rehabilitation effort undertaken at the WWTP since the 1970s. This capital improvement consists of new liquids treatment processes, including a headworks, primary sedimentation, secondary treatment with biological nutrient removal and membranes, and other general plant upgrades, including odor control. The improved facility will have sufficient capacity to handle wet weather flows to eliminate primary and secondary effluent blending and meet regulatory requirements. The design flows will be 21 mgd (maximum month) and 78 mgd (peak wet weather flow). In addition, a new administration building will be constructed which will house WWTP operations and management staff, as well as the operations main control room and laboratory. The WWTP will provide the necessary level of service, protect the environment, and accommodate future population growth. The treated wastewater will meet Title 22 recycled water standards, positioning the Members for potential water re-use opportunities in the future. Figure 1, below, includes a layout of the Upgrade and Expansion of the WWTP and the existing WWTP facilities. For descriptions of the existing WWTP facilities see “THE SAN MATEO SEWER ENTERPRISE–Facilities.”

HDR Engineering, Inc. (“HDR”), an engineering, architectural, environmental, and construction company, is the engineer of record for the Upgrade and Expansion of the WWTP. Following the 2015 CH2M Validation Studies, HDR completed conceptual planning of the Upgrade and Expansion of the WWTP in November 2016, followed by the engineering design phase in December 2016. HDR is providing support during the construction phase and participate in the startup and commissioning of the WWTP.

Construction of the Upgrade and Expansion of the WWTP is planned in three phases or guaranteed maximum price (GMP) construction packages: (GMP-1) demolition, mass excavation, perimeter shoring, and site preparation; (GMP-2) piles and under-slab utilities; and (GMP-3) building of the process facility, administration building, maintenance warehouse, and general site improvements. Construction began in 2019 and is expected to be completed in 2024. The City entered into a Construction Management-at-Risk (a “CMAR”) contract with Sundt Construction, Inc. (“Sundt”) to deliver the Upgrade and Expansion of the WWTP. The CMAR approach was selected to mitigate potential labor shortages and cost increases. Sundt

will also be responsible for the startup and commissioning of the WWTP. Sundt was founded in 1890 and has completed the construction of more than 200 wastewater treatment projects.

Other WWTP Improvements. Until the Upgrade and Expansion of the WWTP is completed, the existing facility will continue to operate. To ensure continued operations and compliance with the regulatory permit requirements, a number of smaller improvement projects are being implemented. The WWTP Immediate Action Projects (Packages 1, 2, and 3) and the WWTP Annual Major Components Project (as described below) are capital improvement projects that replace, rehabilitate, and/or provide redundancies for the existing WWTP facilities. The environmental approvals for the capital improvements to the Member-Owned Wastewater Treatment Facilities were received as part of the PEIR (defined below). See “–Environmental and Other Approvals.”

WWTP Immediate Action Projects, Package 1. This project component includes improvements to the existing WWTP facilities, specifically to the gravity thickeners, centrifuge hoist, secondary clarifiers and return activated sludge pump valves, motor control center, and plant control system. HDR, Carollo Engineers, and HydroScience Engineers are the engineers of record for the project. Monterey Mechanical Co. completed the City’s competitive bid process and was awarded the construction contract for this project. Construction for this project component was completed in April 2019.

WWTP Immediate Action Projects, Package 2. This project component includes improvements to the existing WWTP facilities, specifically to the influent junction box, effluent pump station, digester piping, centrifuge system, cake pumping system, and cake hopper system. Stantec Consulting Services is the engineer of record for the project. Myers & Sons Construction completed the City’s competitive bid process and was awarded the project’s construction contract.

WWTP Immediate Action Projects, Package 3. This project component includes improvements to the existing WWTP facilities, specifically to the motor control centers (MCC) in the main structure building; VFD and check valves on stormwater pumps; replacing windows and doors, repairing the roof, and HVAC improvements at the effluent pump station; HVAC improvements to the Solids Building MCC and Control Room. HDR is the engineer of record for the project. The construction contract start date is shown in Table 21A.

WWTP Annual Major Components. This project component includes repairs, refurbishments, and/or replacement of critical equipment throughout the existing WWTP needed to maintain reliable plant operations and meet permit requirements. Scopes and estimated values of the improvements are of smaller scale in comparison to the Upgrade and Expansion of the WWTP and the Immediate Action Projects. Various engineering firms provide design and analysis services. The estimated construction schedule start date is shown in Table 21A.

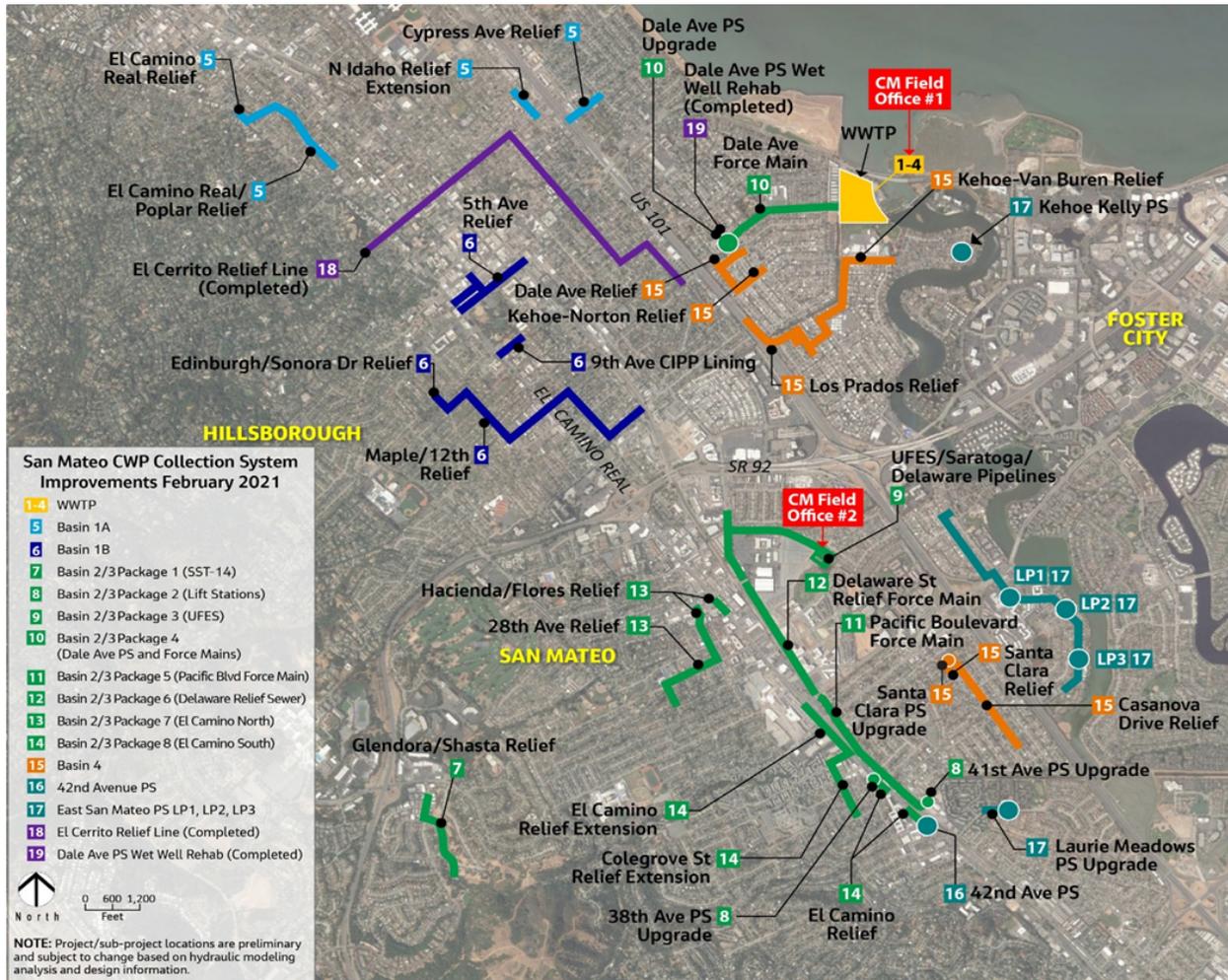
**Figure 1**  
**WWTP Conceptual Layout Displaying the Upgrade and Expansion of the WWTP in the Northern Half of the Site and the Existing WWTP Facilities in the Southern Half of the Site**



Source: City of San Mateo.

**Capital Improvements to San Mateo-Owned Collection Facilities.** The Clean Water Program also includes City wastewater collection system improvements necessary for capacity assurance, reliability, and to meet regulatory compliance requirements, as defined in 2015 CH2M Validation Studies. The existing collection system is comprised of sewer pipelines, manholes, and pump stations. For descriptions of the existing collection system facilities, see “THE SAN MATEO SEWER ENTERPRISE—Facilities.” In addition to improvements to the existing pipelines, manholes, and pump stations, the City will be constructing the underground flow equalization system project, which will provide additional capacity within the collection system to improve the wet weather flow management throughout the entire sewer collection system. Figure 2, below, displays the various locations of the capital improvements to the San Mateo-Owned Collection Facilities.

**Figure 2**  
**Map of San Mateo-Owned Collection Facilities (February 2021)**



Source: City of San Mateo.

The capital improvements to the San Mateo-Owned Collection Facilities are:

- Basin 1A Collection System Improvements
- Basin 1B Collection System Improvements
- Basin 2 & 3 Collection System Improvements
- Basin 4 Collection System Improvements
- East San Mateo Lift Station Rehabilitations
- Biennial Pump Station Upgrade Program
- CCTV Inspection Program
- Sanitary Sewer Rehabilitation Annual Program

These improvements involve annual rehabilitation, capacity, inflow and infiltration reduction, and reliability projects for the sanitary sewer collection system. Annual rehabilitation projects in this area are those needed to keep the collection system in a state of good repair including spot repair, line replacement, closed-circuit television inspection, root foaming, manhole inspection and rehabilitation, rehabilitation and

upgrades for pump stations, and any emergency work. Capacity projects provide increased capacity to collect and transport peak wet weather flows. Work includes upsizing existing main trunk lines, constructing relief sewer lines, and pump station upgrades to increase capacity and reliability. The sanitary sewer capacity projects are all wet weather related projects necessary to prevent sanitary sewer overflows and are requirements of the Cease and Desist Order. Expenditures for collection system improvements are estimated at \$364 million (in 2019 dollars). Additional descriptions and details of these capital improvements are provided below.

*Basin 1A Collection System Improvements.* The project provides wet weather capacity assurance in the collection system, prevents SSOs, and complies with regulatory requirements. The project includes installation of relief pipelines and pipe upsizing, totaling approximately 4,300 feet, in the northern area of the collection system. Woodward & Curran is the engineer of record for the project. Cratus Inc. was awarded the project's construction contract in 2018 and completed construction in 2019. Project closeout was completed in 2020.

*Basin 1B Collection System Improvements.* The project provides wet weather capacity assurance in the collection system, prevents SSOs, and complies with regulatory requirements. The project includes pipeline replacement and upsizing, totaling approximately 9,500 feet, in the northern area of the San Mateo collection system. Harris and Associates is the engineer of record for the project. Ranger Pipelines Inc. was awarded the project's construction contract in 2019. Construction and project closeout were in 2020.

*Basin 2 and 3 Collection System Improvements.* The project provides wet weather capacity assurance in the collection system, prevents SSOs, and complies with regulatory requirements. The project is strategically located throughout the southern and central areas of the collection system, and includes pipeline replacement and upsizing (totaling approximately 19,000 feet), pump/lift station upgrades, force main rehabilitations, and a new underground flow equalization system project. The underground flow equalization system includes an approximate 5.3 million gallon underground wastewater holding structure and approximately 3,400 feet of diversion sewers. Stantec Consulting Service is the engineer of record for the project.

There are several separate construction contract packages in various phases. JMB Construction completed construction of the Glendora/Shasta Relief Sewer package in 2019. Anvil Builders was awarded both the Lift Station package and the Dale Ave Pump Station Package in 2019 and are anticipated to complete construction in 2021. Anderson Pacific Engineering Construction, Inc. was awarded the Underground Flow Equalization System package in 2020 and is anticipated to be complete in 2023. JMB Construction was awarded the Pacific Blvd Force Main project in 2021 and is anticipated to be complete in 2022. Stantec is progressing with the designs for the Delaware Sewer Relief package, the El Camino Real (North)/Flores/28<sup>th</sup> Ave Sewer package, and the El Camino Real (South)/Colegrove Sewer package. The remaining construction contract package start dates are shown in Table 21B.

*Basin 4 Collection System Improvements.* The project provides wet weather capacity assurance in the collection system, prevents SSOs, and complies with regulatory requirements. The project includes pipeline replacement and upsizing in the eastern area of the San Mateo collection system. Woodward & Curran is the engineer of record for the project. The construction contract start date is shown in Table 21B.

*East San Mateo Lift Station Rehabilitations.* The project provides wet weather capacity assurance in the collection system, prevents SSOs, and complies with regulatory requirements. The project includes pump/lift station rehabilitations in the eastern area of the San Mateo collection

system. Schaaf & Wheeler Consulting Civil Engineers is the engineer of record for the project. There are two construction packages. The Laurie Meadows and Woodbridge Lift Stations package was awarded to JMB Construction in 2019 and was completed in 2021. The Los Prados and Kelly-Kehoe Lift Stations package is still in planning/design. The construction contract start date is shown in Table 21B.

*Biennial Pump Station Upgrade Program.* The project provides wet weather capacity assurance in the collection system, prevents SSOs, and complies with regulatory requirements. The project includes the rehabilitation and upgrade of several pump stations in the collection system. The 42nd Avenue pump station improvement package is the first pump station improved as part of the Clean Water Program. Schaaf & Wheeler Consulting Civil Engineers is the engineer of record for the 42<sup>nd</sup> Ave Pump Station project. The construction contract was awarded to Valentine Corporation in 2018 and was completed in 2019. Future pump station rehabilitations and upgrades are in the planning phase.

*CCTV Inspection Program.* The inspection program provides annual projects to identify defects, via video inspection (closed circuit television, or “CCTV”) in gravity collection pipes. Each annual project inspects 1/5th of the collection system, which completes a total system inspection every five years. All inspected pipes and manholes are assessed and considered for rehabilitation. Various engineering firms are contracted as the engineer of record for each project. Competitive bidding is completed for the selection and award of construction contracts.

*Sanitary Sewer Rehabilitation Annual Program.* The rehabilitation program provides annual projects to repair defects, identified by the annual CCTV Inspection Program, in gravity pipes to prevent an increase in infiltration and inflow and pipe failures. Rehabilitation methods may include sewer spot repairs, gravity sewer lining, full pipe replacements and manhole lining and repairs. The City’s sewer system is divided into five basins that are evaluated and rehabilitated every five years. Various engineering firms are contracted as the engineer of record for each project. Competitive bidding is completed for the selection and award of construction contracts.

## **Environmental and Other Approvals**

Projects undertaken by the City are generally subject to the California Environmental Quality Act, as amended (Division 13 of the California Public Resources Code) (“CEQA”). Under CEQA, a public agency is required, following preparation of an initial assessment, to determine if an environmental impact report, a negative declaration, or a mitigated negative declaration is required for a project.

The City conducted a full review of the Clean Water Program through a Programmatic Environmental Impact Report (the “PEIR”) in Fiscal Year 2015-16. Following review and public comment, the Final PEIR was certified and adopted, and an underground flow equalization system alternative, and required findings, a statement of overriding considerations, and the mitigation monitoring or reporting program was adopted by the City Council on June 6, 2016.

Construction of the Underground Flow Equalization System project, which is part of the Basin 2 and 3 Collection System Improvements, described above, requires completion of a project specific environmental impact report, which was finalized, certified, and adopted in 2019. A special use permit and site plan and architectural review was completed and approved also in 2019. The project started construction in 2020.

## Funding Sources

The costs of the Clean Water Program are expected to be funded with proceeds of bonds and other indebtedness, that are expected to be issued by the Authority or each of the Members in the years 2019 through 2023, fees collected by the City and the District for the delivery of sewer service and wastewater service, respectively, and from the proceeds of a loan from the EPA under the provisions of WIFIA, which were closed in 2020 and are Existing City Obligations. For a summary of the Clean Water Program costs and sources of funds allocable to the City, see “THE SAN MATEO SEWER ENTERPRISE—Projected Operating Results—Table 23—Projected Sources and Uses of Funds” and for the Clean Water Program costs and sources of funds allocable to the District, see “THE DISTRICT WASTEWATER ENTERPRISE—Projected Operating Results—Table 9—Projected Sources and Uses of Funds.”

## Construction Schedules

The estimated construction schedules for the major components of the Clean Water Program are summarized below:

**Table 21A**  
**CAPITAL IMPROVEMENTS TO MEMBER-OWNED**  
**WASTEWATER TREATMENT FACILITIES**  
**ESTIMATED CONSTRUCTION SCHEDULE AND COSTS**

<u>Component</u>	<u>Estimated Construction Schedule</u>		<u>Estimated Cost (\$ in millions)</u>
	<u>Start Date</u>	<u>Completion Date</u>	
Upgrade and Expansion of WWTP (Three Phases):			\$548.0
GMP-1	June 2019	January 2022	
GMP-2	May 2020	December 2021	
GMP-3	August 2020	August 2024	
WWTP Immediate Action Project, Package 1	January 2015	March 2019	21.5
WWTP Immediate Action Project, Package 2	February 2019	December 2021	13.1
WWTP Immediate Action Project, Package 3	March 2022	April 2023	11.0
WWTP Annual Major Components	2018	2025	2.7
Program Management	2015	2026	54.3
TOTAL			\$650.6

Source: City of San Mateo.

**TABLE 21B  
CAPITAL IMPROVEMENTS TO SAN MATEO-OWNED  
COLLECTION FACILITIES  
ESTIMATED CONSTRUCTION SCHEDULE**

<b>Component</b>	<b>Estimated Construction Schedule</b>		
	<b>Start Date</b>	<b>Completion Date</b>	<b>Estimated Cost (\$ in millions)</b>
Basin 1A Collection System Improvements	October 2018	October 2019	7.1
Basin 1B Collection System Improvements	June 2019	March 2020	6.3
Basin 2 & 3 Collection System Improvements (Several Construction Packages):			162.4
Glendora/Shasta Relief Sewer Lift Station Package	May 2018	August 2019	
Dale Ave Pump Station Package	December 2019	May 2021	
Underground Flow Equalization System	November 2019	January 2022	
Pacific Blvd Force Main	June 2020	May 2023	
Delaware St Sewer Relief	June 2021	February 2022	
El Camino (North)/Flores/28 <sup>th</sup> Ave Sewer	July 2021	April 2022	
El Camino (South)/Colegrove Sewer	April 2022	January 2023	
El Camino (South)/Colegrove Sewer	April 2023	March 2024	
Basin 4 Collection System Improvements	August 2022	September 2025	39.2
East San Mateo Lift Station Rehabilitations (Two Packages):			21.5
Laurie Meadows & Woodbridge Lift Stations	October 2019	January 2021	
Los Prados & Kehoe-Kelly Lift Stations	May 2023	July 2024	
Biennial Pump Station Upgrade Program: 42 <sup>nd</sup> Ave Pump Station Rehabilitation	May 2018	July 2019	6.9
Future pump station(s) rehabilitations	TBD	TBD	
CCTV Inspection Program	On-going annual project	On-going annual project	4.4
Sanitary Sewer Rehabilitation Annual Program	On-going annual project	On-going annual project	59.5
Program Management	2015	2026	28.0
TOTAL			\$335.3

Source: City of San Mateo.

### **Insurance on the San Mateo Sewer Enterprise**

The City retains a level of risk for both general liability and workers' compensation. The City carries commercial insurance above this limit. The City maintains occurrence basis insurance coverage up to \$25 million in excess of its \$1,000,000 risk retention per occurrence for general liability, and \$25 million in excess of its \$1,000,000 risk retention for workers' compensation. The City has not had claims settlements exceeding insurance coverage for each of the past three Fiscal Years.

The City's claims activity is recorded in its internal service funds. Estimated liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims

that have been incurred but not reported (IBNRs) are also included in the liability estimates. See APPENDIX A-2–“CERTAIN GENERAL, ECONOMIC, DEMOGRAPHIC, AND FINANCIAL INFORMATION RELATING TO THE CITY OF SAN MATEO–COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2020–Note 12 to the Basic Financial Statements” for a description of the City’s claims activity.

The City is not legally obligated under its Financing Agreement to maintain, or cause to be maintained, earthquake insurance on the WWTP and the collection system owned by the San Mateo Sewer Enterprise and the City does not presently maintain earthquake insurance on behalf of the San Mateo Sewer Enterprise. No assurance is made that any earthquake insurance will be provided in the future, or if provided, that such insurance will continue to be maintained in the future. If there were to be an occurrence of severe seismic activity in the City, there could be substantial damage to the WWTP and the collection system owned by the San Mateo Sewer Enterprise, the cost of repair of which could exceed the fund balance available therefor.

In the event of significant earthquake damage to the facilities of the San Mateo Sewer Enterprise, there can be no assurance that Net Revenues would be sufficient to pay the City’s Authority Bond Payments.

## **Pension Plan**

**Plan Description.** All qualified permanent and probationary employees of the San Mateo Sewer Enterprise are eligible to participate in the City’s Miscellaneous Plan, an agent multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government 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. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. Certain labor contracts required the City to also pay employee contributions, however these requirements were no longer in effect as of Fiscal Year 2018-19.

PERS maintains more than one pension plan (each, a “PERS Plan”) for the City based on type of employee. The City has PERS Plans for “Safety Employees” and “Miscellaneous Employees.” The City contributes to PERS amounts equal to the recommended rates for each PERS Plan multiplied by the payroll of those employees of the City who are eligible under PERS.

Salaries and benefits costs of the San Mateo Sewer Enterprise include funding of retirement benefits for employees assigned to the San Mateo Sewer Enterprise who, as City employees, participate in CalPERS Miscellaneous Plan. Retirement payments paid from Revenues, with respect to employees assigned to the San Mateo Sewer Enterprise, average 23% of annual employer pension costs paid towards the Miscellaneous Plan. The San Mateo Sewer Enterprise employer contributions for pensions are estimated to be approximately \$1.9 million for Fiscal Year 2020-21 and approximately \$2.1 million for Fiscal Year

2021-22. Pension contributions to CalPERS constitute Maintenance and Operation Costs of the San Mateo Sewer Enterprise.

**Contributions** – Section 20814(C) of the California Public Employees’ Retirement Law (PERL) 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 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 additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2019 (the measurement date), the average active employee contribution rate, which includes pension cost sharing as agreed to through the labor negotiations process and codified via memoranda of understanding, is 7.94% of annual pay for the Miscellaneous Plan, and employer contribution rate is 24.37% of annual payroll for the Miscellaneous Plan.

For a variety of reasons, including investment losses, the City has experienced unfunded liabilities, and retirement costs payable with respect to all City employees, including those assigned to the District Wastewater Enterprise, have increased in recent years. As of June 30, 2019 (the most recent actuarial date), the City’s “Miscellaneous Plan” with CalPERS (in which the City employees assigned to the San Mateo Sewer Enterprise participate) had an unfunded liability (with respect to all participating City employees, including employees assigned to the General Fund, the Sewer Enterprise Fund, and other enterprise funds) of approximately \$84.9 million (market value basis) and a funded ratio of 70.5% (market value of assets divided by entry age normal accrued liability). Due to changes to CalPERS’ actuarial methodology and assumptions, required contributions from the City are expected to continue to increase. See APPENDIX A-2–“CERTAIN GENERAL, ECONOMIC, DEMOGRAPHIC, AND FINANCIAL INFORMATION RELATING TO THE CITY OF SAN MATEO–COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2020–Note 13 to the Basic Financial Statements” for a discussion of retirement liabilities payable by the City.

### **Post-Employment Healthcare Benefits**

The City administers a single-employer defined benefit post-employment healthcare and other non-pension benefit (“OPEB”) plan. Merit employees who retire directly from the City under CalPERS at the minimum age 50 with at least five years of CalPERS service (or disability) are eligible to receive \$160 per month for medical insurance premiums paid to CalPERS. This same benefit may continue to a surviving spouse depending on the retirement plan election. As of June 30, 2019, there were 374 retirees receiving post-employment health care benefits from the City. Of the 612.21 full-time equivalent employees Citywide as of July 2, 2020, 83.18 were assigned to the San Mateo Sewer Enterprise.

Beginning in Fiscal Year 2012-13, the City pre-funds the Plan through CalPERS OPEB Trust (“CERBT”) by contributing the City’s Annual Required Contribution (the “ARC”) every year. For the June 30, 2019 measurement date, the City contributed \$1,950,000, including \$731,000 in benefit payments, \$443,000 in implicit rate subsidy, and a \$769,458 deposit to CERBT. Contributions for Fiscal Year 2020-21 were \$1,825,000, including \$731,000 in benefit payments, \$450,000 in implicit rate subsidy, and a \$636,144 deposit to CERBT.

CERBT is a tax qualified irrevocable trust, organized under Internal Revenue Code (IRC) Section 115, established to prefund OPEB as described in GASB Statement 45. The CERBT issues a publicly available financial report that includes financial statements and required supplementary

information for the City, not individualizing, but in aggregate with the other CERBT participants. That report may be obtained by contacting CalPERS.

### **Financial Statements**

The City's audited financial statements dated November 30, 2020, for the Fiscal Year Ended June 30, 2020, which include the financial results of the San Mateo Sewer Enterprise, are attached hereto as APPENDIX A-2—"CERTAIN GENERAL, ECONOMIC, DEMOGRAPHIC, AND FINANCIAL INFORMATION RELATING TO THE CITY OF SAN MATEO—COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2020.

The audited financial statements include information concerning the City's General Fund and other funds, including the Sewer Enterprise Fund and the other enterprise funds. The 2021 City Obligations are special obligations of the City, secured by and payable solely from the Net Revenues and other amounts pledged under the Indenture. No other funds of the City are available for payment of the 2021 City Obligations.

## Historical Operating Results

Table 22 summarizes a compressed comparison of Net Revenues for the San Mateo Sewer Enterprise and historical debt service coverage ratios.

**Table 22**  
**CITY OF SAN MATEO**  
**SEWER ENTERPRISE**  
**HISTORICAL REVENUES, EXPENSES AND DEBT SERVICE COVERAGE**  
**Fiscal Year 2015-16 through Fiscal Year 2019-20**

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
<b>Revenues</b>					
Service Charges	\$30,677,595	\$31,353,084	\$41,289,164	\$51,296,306	\$58,190,132
Connection Fees	209,306	243,297	184,830	420,362	301,556
Impact Fees	445,998	193,656	250,523	256,453	235,364
Other	16,491	-	13,031	4,321	14,715
SUBTOTAL	<u>\$31,349,390</u>	<u>\$31,790,037</u>	<u>\$41,737,548</u>	<u>\$51,977,442</u>	<u>\$58,741,767</u>
Interest Income	524,455	141,945	189,435	1,379,769	5,845,282
Miscellaneous	-	-	-	4,480	-
TOTAL REVENUES	<u>\$31,873,845</u>	<u>\$31,931,982</u>	<u>\$41,926,983</u>	<u>\$53,361,691</u>	<u>\$64,587,049</u>
<b>Maintenance and Operation Expenses</b>					
Total M&O <sup>(1)</sup>	\$26,850,753	\$25,060,432	\$26,017,258	\$27,334,382	\$25,914,439
Less Depreciation and Amortization	<u>(3,632,831)</u>	<u>(3,641,368)</u>	<u>(4,147,292)</u>	<u>(3,987,640)</u>	<u>(3,089,619)</u>
Net M&O <sup>(1)</sup>	<u>\$23,217,922</u>	<u>\$21,419,064</u>	<u>\$21,869,966</u>	<u>\$23,346,742</u>	<u>\$22,824,820</u>
Net Revenues	\$8,655,923	\$10,512,918	\$20,057,017	\$30,014,949	\$41,762,229
<b>Debt Service</b>					
2011 City Bonds	\$2,676,058	\$2,686,433	\$2,682,408	\$1,688,808	\$1,688,708
2014 City Bonds	1,344,365	1,344,365	1,344,365	2,294,965	2,290,315
CSWRCB Loan 25th Ave	123,456	-	-	-	-
2019 Bonds	-	-	-	-	7,206,940
State Street Credit Facility	1,995	93,453	88,192	424,010	-
Total Debt Service	<u>\$4,145,873</u>	<u>\$4,124,250</u>	<u>\$4,114,965</u>	<u>\$4,407,783</u>	<u>\$11,185,962</u>
Net Surplus	\$8,655,923	\$10,512,918	\$20,057,017	\$30,014,949	\$41,762,229
Debt Service Coverage	2.09x	2.55x	4.87x	6.81x	3.73x
Cash & Investments	\$47,894,182	\$25,214,077	\$6,073,774	\$34,806,578	\$49,720,916
Days Cash on Hand	753	430	101	544	795

(1) Interest and credit facility fees on \$70 million line of credit are included in O&M. Interest shown under Debt Service.

Sources: City of San Mateo Audited Financial Statements for Fiscal Years 2015-16 through 2019-20, except debt service coverage calculations. City staff for debt service detail.

## **Projected Operating Results**

Table 24 presents projected revenues and expenses of the San Mateo Sewer Enterprise Fund for Fiscal Years 2020-21 through 2027-28 prepared by the City. These projections exclude depreciation charged to the San Mateo Sewer Enterprise Fund and are based upon the City's current circumstances and available information that the City believes to be reasonable. The assumptions, which are set forth in the footnotes to Table 24, may be affected by numerous factors and there can be no assurance that such projections will be achieved.

For a projection of Clean Water Program costs and sources of funds, see Table 24—"Projected Revenues, Expenses, Working Capital, and Annual Debt Service Coverage." The anticipated Clean Water Program bonding requirements for the City are shown in Table 23. Project costs, and the amount, timing and cost of future debt is uncertain and actual results could vary from the projections shown below.

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**Table 23**  
**CITY OF SAN MATEO**  
**SEWER ENTERPRISE CLEAN WATER PROGRAM**  
**PROJECTED SOURCES AND USES OF FUNDS**  
**Fiscal Years Ending June 30, 2015-2020 and 2021 through 2027**

<b>Fiscal Year</b>	<b>2015-2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>Total</b>
<b><u>Sources of Funds</u></b>									
2019 Bonds	\$104,081,702	\$116,681,345	\$12,740,826	\$35,214,660	\$14,053,194	-	-	-	\$282,771,726
2021 City Note/WIFIA Loans	-	5,336,404	235,372,209	54,770,747	-	-	-	-	295,479,360
SRF Loan/Bonds	-	-	-	83,729,685	20,225,915	-	-	-	103,955,600
Cash	73,133,040	-	4,763,522	5,490,281	21,238,774	\$37,923,602	\$6,458,668	\$1,101,032	150,108,919
<b>TOTAL SOURCES</b>	<b>\$177,214,741</b>	<b>\$122,017,748</b>	<b>\$252,876,556</b>	<b>\$179,205,374</b>	<b>\$55,517,883</b>	<b>\$37,923,602</b>	<b>\$6,458,668</b>	<b>\$1,101,032</b>	<b>\$832,315,605</b>
<b><u>Uses of Funds</u></b>									
Clean Water Program CIP	\$177,214,741	\$122,017,748	\$252,876,556	\$179,205,374	\$55,517,883	\$37,923,602	\$6,458,668	\$1,101,032	\$832,315,605
<b>TOTAL USES</b>	<b>\$177,214,741</b>	<b>\$122,017,748</b>	<b>\$252,876,556</b>	<b>\$179,205,374</b>	<b>\$55,517,883</b>	<b>\$37,923,602</b>	<b>\$6,458,668</b>	<b>\$1,101,032</b>	<b>\$832,315,605</b>

Sources: Jacobs for Clean Water Program capital costs. The City of San Mateo for the line of credit balance. William Euphrat Municipal Finance, Inc. for all other amounts.

**Table 24**  
**CITY OF SAN MATEO**  
**SEWER ENTERPRISE**  
**PROJECTED REVENUES, EXPENSES, WORKING CAPITAL, AND ANNUAL DEBT SERVICE COVERAGE**  
**Fiscal Year 2020-21 through Fiscal Year 2026-27**

	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
<b>Revenues</b>								
Service Charges <sup>(1)</sup>	\$55,521,420	\$62,739,205	\$70,267,909	\$70,267,909	\$70,267,909	\$72,375,946	\$74,547,225	\$76,783,642
M&O District <sup>(2)</sup>	2,200,521	2,900,000	3,045,000	3,197,250	3,357,113	3,524,968	3,701,217	3,886,277
Capacity Charge <sup>(3)</sup>	531,191	1,587,303	2,310,702	2,447,328	2,511,086	2,523,368	2,527,014	2,527,014
M&O Regional Customers <sup>(4)</sup>	1,149,195	1,195,163	1,242,969	1,292,688	1,344,396	1,398,171	1,454,098	1,512,262
SUBTOTAL	\$59,402,327	\$68,421,671	\$76,866,581	\$77,205,175	\$77,480,504	\$79,822,454	\$82,229,553	\$84,709,195
Interest Income <sup>(5)</sup>	\$308,042	\$218,518	\$230,533	\$208,240	\$198,557	\$191,621	\$172,381	\$178,344
Other Revenues	300,000	300,000	300,000	300,000	300,000	300,000	230,000	230,000
TOTAL REVENUES	\$60,010,369	\$68,940,189	\$77,397,113	\$77,713,415	\$77,979,060	\$80,314,074	\$82,631,934	\$85,117,539
 M&O Expenses	 (25,383,855)	 (26,399,209)	 (27,455,178)	 (28,553,385)	 (29,695,520)	 (30,883,341)	 (32,118,674)	 (33,403,421)
 <b>Net Revenues</b>	 \$34,626,514	 \$42,540,979	 \$49,941,936	 \$49,160,031	 \$48,283,540	 \$49,430,733	 \$50,513,260	 \$51,714,117
 <b>Debt Service</b>								
2011 City Bonds	\$1,684,283	-	-	-	-	-	-	-
2014 City Bonds	2,293,440	2,293,815	2,291,440	2,291,190	2,292,815	2,291,190	2,291,190	2,292,565
2019 WIFIA WWTP Loan <sup>(6)</sup>	-	-	-	-	-	1,343,529	3,151,360	3,526,241
2019 Bonds	10,947,250	10,947,250	10,947,250	10,947,250	10,947,250	13,404,250	14,380,000	15,348,000
2021 City Note (WWTP & Collection) <sup>(7)</sup>	-	-	-	-	8,001,938	7,153,750	-	-
2021 WIFIA Collection Loan <sup>(6)</sup>	-	-	-	-	-	557,667	3,435,119	3,434,919
2021 City Refunding Bonds	-	445,375	1,314,375	1,378,750	1,375,000	1,374,625	1,377,375	1,373,250
2023 Bonds/SRF Loan <sup>(8)</sup>	-	-	2,079,100	4,158,200	4,158,200	4,158,200	5,951,600	5,951,900
TOTAL DEBT SERVICE	\$14,924,973	\$13,686,440	\$16,632,165	\$18,775,390	\$26,775,203	\$30,283,211	\$30,586,644	\$31,926,875
 <b>Annual Debt Service Coverage</b>	 <b>2.32x</b>	 <b>3.11x</b>	 <b>3.00x</b>	 <b>2.62x</b>	 <b>1.80x</b>	 <b>1.63x</b>	 <b>1.65x</b>	 <b>1.62x</b>
 Beginning Working Capital <sup>(9)</sup>	 \$54,396,021	 \$72,829,382	 \$97,553,237	 \$124,739,890	 \$133,885,756	 \$117,470,492	 \$130,159,346	 \$137,185,962
Plus Total Revenues Available for CIP <sup>(10)</sup>	160,681,916	334,985,816	245,695,747	71,929,245	24,813,169	19,665,962	19,926,615	19,787,243
Less Total Capital Expenditures <sup>(11)</sup>	(140,980,375)	(310,261,961)	(218,509,094)	(62,783,379)	(41,228,433)	(6,977,108)	(12,900,000)	(13,287,000)
Ending Working Capital	\$74,097,562	\$97,553,237	\$124,739,890	\$133,885,756	\$117,470,492	\$130,159,346	\$137,185,962	\$143,686,205
Days Cash <sup>(12)</sup>	1,065	1,349	1,658	1,711	1,444	1,538	1,559	1,570
Revenue Increase <sup>(13)</sup>	13.00%	13.00%	12.00%	0.00%	0.00%	3.00%	3.00%	3.00%
M&O Increases	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

(1) City service charges. Rates approved through Fiscal Year 2022-23. See “–Approved Service Rates and Charges–Table 17B–“Approved Service Rates and Charges.”

(2) District share of WWTP and related facilities maintenance & operation expenses.

(3) Capacity charge to Subregional Customers for share of WWTP capital costs.

(4) Subregional Customers' share of WWTP O&M expenses.

(5) Estimated at earnings rate of 0.5% on various discretionary reserves plus .5% earnings rate on 50% of annual service charges.

- (6) Draw intended to be used to repay 2021 City Notes on August 1, 2025.
- (7) Interest capitalized for three years.
- (8) SRF application under review but not assured. Bond market financing assumed in August 2022 with average rate of 4%, interest only to fiscal year 2026-27, \$103.955 million par.
- (9) Fiscal Year 2020-21 beginning working capital is Fiscal Year 2019-20 current assets (net of funds held by trustee) minus current liabilities as reported in the City's audited financial statements for Fiscal Year 2019-20.
- (10) Includes surplus cash flow and proceeds of financings drawn upon by the City. Does not include financing proceeds held by trustee.
- (11) Based on Jacobs January 2021 CIP projection estimate.
- (12) Calculated as ending working capital/(M&O expenses/365).
- (11) Approved through Fiscal Year 2022-23.

Sources: City of San Mateo for service charges, Subregional Customers' O&M expenses, capital expenditure requirements and cash reserves. Estero Municipal Improvement District for District O&M expenses, except for fiscal year 2020-21, which is City budgeted amount. William Euphrat Municipal Finance, Inc. for bond amounts, debt service, and days cash and coverage calculations.

## FINANCIAL STATEMENTS

Each of the City and the District has provided its audited financial statements as of the fiscal year ended June 30, 2020. See APPENDIX A-1–“CERTAIN GENERAL, ECONOMIC, DEMOGRAPHIC, AND FINANCIAL INFORMATION RELATING TO THE ESTERO MUNICIPAL IMPROVEMENT DISTRICT AND THE CITY OF FOSTER CITY–COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2020” and APPENDIX A-2–“CERTAIN GENERAL, ECONOMIC, DEMOGRAPHIC, AND FINANCIAL INFORMATION RELATING TO THE CITY OF SAN MATEO–COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2020.” No auditor has reviewed or audited this Official Statement, or undertaken procedures to consent to the inclusion of its report with respect to any of the financial statements.

## CONTINUING DISCLOSURE

### District

The District covenants for the benefit of the beneficial owners of the 2021 District Note to provide certain financial information and operating data relating to the District Wastewater Enterprise by no later than nine months after the end of the Fiscal Year of the City (currently June 30) commencing with the report due on March 31, 2022 for Fiscal Year ended June 30, 2021 (the “District Annual Report”) and to provide notices of the occurrence of certain listed events. The District Annual Report and notices of listed events will be filed by means of the EMMA website maintained by the MSRB. These covenants have been made in order to assist the Underwriter in complying with the Rule. The specific nature of the financial and operating data to be provided by the City is set forth in APPENDIX C–“PROPOSED FORMS OF CONTINUING DISCLOSURE CERTIFICATES–ESTERO MUNICIPAL IMPROVEMENT DISTRICT FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

**[TO BE UPDATED PRIOR TO POSTING]** In connection with the preparation of this Official Statement, the District caused a review of filings available on the EMMA internet site maintained by the Municipal Securities Rulemaking Board covering the prior five years to be performed. Based on such review, the District believes that neither it nor its related entities have failed to comply in any material respect during the past five years with their prior continuing disclosure undertakings under the Rule.

### City

The City covenants for the benefit of the beneficial owners of the 2021 City Obligations to provide certain financial information and operating data relating to the Authority and the San Mateo Sewer Enterprise by no later than nine months after the end of the Fiscal Year of the City (currently June 30) commencing with the report due on March 31, 2022 for Fiscal Year ended June 30, 2021 (the “City Annual Report”), and to provide notices of the occurrence of certain listed events. The City Annual Report and notices of listed events will be filed by means of the EMMA website maintained by the MSRB. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). The specific nature of the financial and operating data to be provided by the City is set forth in APPENDIX C–“PROPOSED FORMS OF CONTINUING DISCLOSURE CERTIFICATES–CITY OF SAN MATEO FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

**[TO BE UPDATED PRIOR TO POSTING]** The City and certain related entities previously entered into certain disclosure undertakings under the Rule in connection with the issuance of long-term obligations. In connection with the preparation of this Official Statement, the City caused a review of filings available on the EMMA internet site maintained by the Municipal Securities Rulemaking Board covering

the prior five years to be performed. Based on such review, the City believes that neither it nor its related entities have failed to comply in any material respect during the past five years with their prior continuing disclosure undertakings under the Rule, except as follows:

- (a) With respect to the City's annual report filings for the past five fiscal years, the continuing disclosure report did not contain calculations required by the continuing disclosure undertaking with respect to certain bonds of the Former Redevelopment Agency and the City, as successor agency to the Former Redevelopment Agency (the "**Successor Agency**"), relating to the tax increment cap of the Former Redevelopment Agency's project areas (which cap was removed by Senate Bill 107).
- (b) With respect to the City's annual report filing for fiscal year 2015-16, the coverage table in the continuing disclosure report did not contain a correct and complete debt service coverage table required by the continuing disclosure undertaking with respect to certain bonds of the Former Redevelopment Agency and the Successor Agency.
- (c) With respect to the City's annual report filing for the fiscal years 2014-15 and 2015-16, information relating to the assessed valuation appeals within the Former Redevelopment Agency's project areas was not included.

All the required filings have now been made to the EMMA internet site, which can be found on the internet at [emma.msrb.org](http://emma.msrb.org). Reference to that internet site is made for convenience only; its contents are not incorporated by reference into this Official Statement.

The City has taken steps to implement procedures to better meet its obligation under the Rule. City staff members have participated in training on recent changes to the Rule and the City Council has adopted continuing disclosure policies and procedures. In addition, the City has engaged Urban Futures, Inc. to assist with respect to its obligations under the Rule including to act as Dissemination Agent under the Continuing Disclosure Certificate. As part of its services as Dissemination Agent, Urban Futures has agreed to develop and maintain a database to monitor, track and review reporting and filing requirements as outlined in the Continuing Disclosure Certificate.

## **TAX MATTERS**

### **Federal Tax Status**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2021 Obligations is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority, the City and the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") that must be satisfied subsequent to the issuance of the 2021 Obligations in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Authority, the City and the District have made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the 2021 Obligations.

## **Tax Treatment of Original Issue Discount and Premium**

If the initial offering price to the public at which a 2021 Obligation is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a 2021 Obligation is sold is greater than the amount payable at maturity thereof, then such difference constitutes “original issue premium” for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium are disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2021 Obligation 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 such 2021 Obligations to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2021 Obligation. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2021 Obligations who purchase the 2021 Obligations after the initial offering of a substantial amount of such maturity. Owners of such 2021 Obligations should consult their own tax advisors with respect to the tax consequences of ownership of 2021 Obligations with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such 2021 Obligations is sold to the public.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 2021 Obligation (said term being the shorter of the 2021 Obligation'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 2021 Obligation for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2021 Obligation is amortized each year over the term to maturity of the 2021 Obligation on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized 2021 Obligation premium is not deductible for federal income tax purposes. Owners of premium 2021 Obligations, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2021 Obligations.

## **California Tax Status**

In the further opinion of Bond Counsel, interest on the 2021 Obligations is exempt from California personal income taxes.

## **Other Tax Considerations**

Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2021 Obligations to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state 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 2021 Obligations. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the 2021 Obligations, or as to the consequences of owning or receiving interest on the 2021 Obligations, as of any future date. Prospective purchasers of the 2021 Obligations should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the 2021 Obligations should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2021 Obligations may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2021 Obligations, the ownership, sale or disposition of the 2021 Obligations, or the amount, accrual or receipt of interest on the 2021 Obligations.

## **LITIGATION**

### **Authority**

At the time of delivery of the 2021 Obligations, the Law Office of Daniel P. Doporto, Pleasant Hill, California, General Counsel to the Authority will deliver an opinion to the Underwriter that there is no controversy or litigation now pending against the Authority or, to the knowledge of their officers, threatened, concerning the validity of the 2021 Obligations, the pledge of Revenues, the Indenture, the Financing Agreements, or any other document relating to the 2021 Obligations to which the Authority is or will become a party in connection with the issuance of the 2021 Obligations, or the performance by the Authority of its respective obligations thereunder; or to restrain or enjoin the execution and delivery of the Indenture, the Financing Agreements, or the Authority Continuing Disclosure Certificate; or in any way contesting or affecting the validity of the 2021 Obligations.

### **Members**

At the time of delivery of the 2021 Obligations, each Member will deliver a certificate that there is no controversy or litigation now pending against such Member, or to the knowledge of their officers, threatened, concerning the validity of the 2021 Obligations, the pledge of Net Revenues, the respective Financing Agreement, or any other document relating to the 2021 Obligations to which such Member is or will become a party in connection with the issuance of the 2021 Obligations, or the performance by the Member of its respective obligations thereunder; or to restrain or enjoin the execution and delivery of its Continuing Disclosure Certificate.

## LEGAL MATTERS

Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the Authority, will render an opinion with respect to the validity of the 2021 Obligations. The form of the legal opinion proposed to be delivered by Bond Counsel is included as APPENDIX D to this Official Statement. Bond Counsel undertakes no responsibility for the accuracy, completeness, or fairness of this Official Statement. Certain legal matters will be passed upon for the Authority by Daniel P. Doporto, Esq., Pleasant Hill, California, Authority General Counsel and by Jones Hall, A Professional Law Corporation, San Francisco, California, Disclosure Counsel to the Authority, for the City by the City Attorney of the City of San Mateo, for the District by Jean B. Savaree, Esq. City Attorney for the City of Foster City, and for the Underwriter by Nixon Peabody, LLP, Los Angeles, California, Underwriter's Counsel.

Compensation paid to Bond Counsel and Disclosure Counsel is not contingent on the delivery of the 2021 Obligations. Compensation paid to Underwriter's Counsel is contingent on the delivery of the 2021 Obligations.

## MUNICIPAL ADVISORS

The Authority has retained William Euphrat Municipal Finance, Inc., and Kitahata & Company, San Francisco, California and San Francisco, California, as Municipal Advisors, in connection with the authorization and delivery of the 2021 Obligations. The Municipal Advisors are not obligated to undertake, and have not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisors are each an independent advisory service and neither is engaged in underwriting or trading of securities. The Municipal Advisors will each receive compensation for services rendered in connection with the issuance of the 2021 Obligations. Payment of such compensation is not contingent upon the sale, issuance and delivery of the 2021 Obligations.

## RATINGS

S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P"), has assigned a rating of "\_\_\_\_" to the 2021 District Notes and a rating of "\_\_\_\_" to the 2021 City Notes. Moody's Investor's Service, Inc. ("Moody's"; each of S&P and Moody's is referred to herein as a "Rating Agency") has assigned a rating of "\_\_\_\_" to the 2021 City Refunding Bonds. An explanation of the significance of such rating may only be obtained from the rating agency issuing the rating. The Authority furnished to the Rating Agencies certain information and materials concerning the 2021 Obligations, the Authority, and the Members, as applicable. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the rating agencies themselves. There is no assurance that the rating assigned to the 2021 Obligations by a Rating Agency will be maintained for any given period of time or that it will not be lowered or withdrawn entirely by such Rating Agency if in its judgment circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price or marketability of the 2021 Obligations.

In providing a rating on the 2021 Obligations, the Rating Agency may have performed independent calculations of coverage ratios using its own internal formulas and methodology, which may not reflect the provisions of the applicable Indenture. The Authority and the Members make no representation as to any such calculations, and such calculations should not be construed as a representation by the Authority or the Members as to past or future compliance with any bond covenants, the availability of particular revenues for the payment of debt service on the 2021 Obligations, or for any other purpose.

## UNDERWRITING

BofA Securities, Inc. (the “Underwriter”), has agreed, subject to certain conditions precedent, to purchase the 2021 Obligations from the Authority pursuant to the terms and conditions of a bond purchase contract between the Authority and the Underwriter.

The 2021 Obligations may be offered and sold to certain dealers and others at prices lower than the offering prices stated on the inside cover hereof. The offering prices may be changed from time to time.

The Underwriter has agreed to purchase the 2021 Obligations at a purchase price equal to \$\_\_\_\_\_, which represents the par amount of the 2021 Obligations, plus a net original issue premium in the amount of \$\_\_\_\_\_, less an Underwriter’s discount in the amount of \$\_\_\_\_\_. The bond purchase agreement relating to the 2021 Obligations provides that the Underwriter will purchase all of the 2021 Obligations if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said bond purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

BofA Securities, Inc., the Underwriter of the 2021 Obligations, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial network of MLPF&S. As part of this arrangement, BofA Securities, Inc., may compensate MLPF&S as a dealer for their selling efforts with respect to the 2021 Obligations.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, such services for the Authority, City or District for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority, City or District.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

**MISCELLANEOUS**

The foregoing and subsequent summaries or descriptions of provisions of the 2021 Obligations and the Indentures and all references to other materials not purporting to be quoted in full, are only summaries of some of the provisions thereof. Reference is made to said documents for full and complete statements of the provisions of such documents. The appendices attached hereto are a part of this Official Statement.

Copies of the Indentures and the Financing Agreements in reasonable quantity may be obtained upon request to the principal corporate trust office of the Trustee.

The execution and delivery of this Official Statement have been duly authorized by the Authority.

**SAN MATEO-FOSTER CITY PUBLIC  
FINANCING AUTHORITY**

By: \_\_\_\_\_  
Richard Lee, Finance Director

## APPENDIX A-1

### CERTAIN GENERAL, ECONOMIC, DEMOGRAPHIC, AND FINANCIAL INFORMATION RELATING TO THE ESTERO MUNICIPAL IMPROVEMENT DISTRICT AND THE CITY OF FOSTER CITY

*The following information concerning the Estero Municipal Improvement District (the “District”) and the City of Foster City (“Foster City”) and surrounding areas is included only for the purpose of supplying general information regarding the community. The 2021 District Notes are not a debt of Foster City, the State of California (the “State”) or any of its political subdivisions and neither Foster City, the State, nor any of its political subdivisions is liable therefor. The 2021 District Notes are special obligations of the San Mateo-Foster City Public Financing Authority (the “Authority”) payable solely from a pledge of Revenues, consisting primarily of payments made by the City of San Mateo and the Estero Municipal Improvement District to the Authority pursuant to the respective Financing Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2021 DISTRICT NOTES” and “SECURITY AND SOURCES OF PAYMENT FOR THE AUTHORITY BOND PAYMENTS” in the front of this Official Statement.*

#### **General**

***Estero Municipal Improvement District.*** The District was established in 1960 pursuant to the passage of State Senate Bill No. 51 and formally organized on September 8, 1960, at which time the County Board of Supervisors appointed the District Board.

In 1971, at a special election, the voters approved the boundaries of and incorporation of Foster City as a general law city, elected members of the District Board/City Councilmembers, and determined that the District would be a subsidiary district of Foster City.

The District is operated as part of the Foster City Public Works Department.

***Foster City.*** Foster City is a “general law” planned municipal corporation in San Mateo County (the “County”), on the western shore of the San Francisco Bay. Throughout a period of six years in the 1960s, the foundation of Foster City was engineered through a complex dredging system that placed 14 million cubic yards of sediment from the bottom of the San Francisco Bay to raise the elevation of a small island (then named, Brewers Island). Approximately 3.8 square miles of Foster City’s 19.8 square miles is land, while the remaining 16.1 square miles is water. Foster City was incorporated on April 27, 1971, and the population is estimated State Department of Finance to be 33,033 as of January 1, 2020. Foster City is located approximately 17 miles south of San Francisco, 331 miles north of Los Angeles, shares a border with the City of San Mateo to the west and Redwood Shores in the City of Redwood City to the southeast.

***County.*** The County encompasses 553 square miles of area immediately south of San Francisco, over a stretch of 50 miles between the Pacific Ocean and the San Francisco Bay. The County is the 14th most populous county in the State, and the State Department of Finance estimated the population of the County to be 773,244 as of January 1, 2020.

**Governing Body**

***Elected Officials and Administrative Personnel.*** Foster City operates under a council/manager form of government and is governed by a five-member city council (the “City Council”), elected at large to staggered four-year terms. Members of the City Council serve on a part-time basis. The City Council consists of a Mayor, a Vice Mayor and three councilmembers. The Mayor and the Vice Mayor are elected annually through a majority vote of the City Council. The City Council also serves as the District Board.

The city manager of Foster City (the “City Manager”) is appointed by the City Council until removed by the City Council. The City Manager serves as the administrative head of the government and is responsible for providing general administrative and legislative support to the City Council, as well as overseeing the general operation of Foster City and the various divisions and programs of the municipal government, such as Economic Development, Sustainable Foster City, Public Information, Community Relations, Budget, Animal Control, Transportation, Information Technology and Emergency Preparedness.

The members of the City Council and other key administrative personnel are listed in Tables A-1-1 and A-1-2, respectively.

**TABLE A-1-1  
CITY OF FOSTER CITY  
Members of the City Council**

<b>Name</b>	<b>Office</b>	<b>Term Expiration Date</b>	<b>Occupation</b>
Sanjay R. Gehani	Mayor	December 2022	Businessman
Richa Awasthi	Vice Mayor	December 2022	Financial Services Executive
Jon Froomin	Councilmember	December 2024	Consultant
Sam Hindi	Councilmember	December 2024	Business Owner
Patrick Sullivan	Councilmember	December 2024	Business Owner

**TABLE A-1-2  
CITY OF FOSTER CITY  
Key Administrative Personnel**

<b>Name</b>	<b>Office</b>
Dr. Peter Pirnejad	City Manager
Jean B. Savaree	City Attorney
Edmund Suen	Finance Director
Marlene Subhashini	Community Development Director
Dante Hall	Assistant City Manager/Acting Public Works Director/Parks and Recreation Director
Priscilla Schaus	Communications Director/City Clerk

## Population

Since 2010, the population of Foster City has increased by approximately 2,466 or approximately 8.1%. Between 2015 and 2019, it is estimated that the population has grown by 693, an annual average of approximately 2.1%. Table A-1-3 summarizes the estimated population for Foster City, the County and the State as of January 1 for the years 2016 through 2020.

**TABLE A-1-3**  
**FOSTER CITY, COUNTY, AND STATE**  
**Population Estimates**  
**2016 through 2020**  
**(As of January 1)**

<b>Year</b>	<b>Foster City</b>	<b>County</b>	<b>State</b>
2016	32,533	767,921	39,131,307
2017	32,671	770,785	39,398,702
2018	32,712	772,984	39,586,646
2019	33,211	774,231	39,695,376
2020	33,033	773,244	39,782,870

Sources: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2020, with 2010 Census Benchmark. Sacramento, California, May 2020, and State of California, Department of Finance, and State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change January 1, 2019 and 2020. Sacramento, California, May 2020.

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## **Labor Force and Employment**

The following Table A-1-4 compares annual estimates of the labor force, civilian employment, and unemployment for Foster City, County, State, and United States residents between 2016 and 2020 as estimated by the United States Department of Labor and State Employment Development Department. For February 2021, the preliminary estimated unemployment rate (not seasonally adjusted) for Foster City was 3.8%, for the County was 5.3%, for the State was 8.4%, and for the United States was 6.6%.

**TABLE A-1-4**  
**FOSTER CITY, COUNTY, STATE AND UNITED STATES**  
**Civilian Labor Force, Employment and Unemployment**  
**2016 through 2020<sup>†</sup>**  
**(Not Seasonally Adjusted)**

<u>Year</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
<b>2016</b>				
Foster City	19,500	19,000	600	2.9%
County	441,800	428,300	13,500	3.0
State	19,012,000	17,965,400	1,046,600	5.5
United States	159,187,000	151,436,000	7,751,000	4.9
<b>2017</b>				
Foster City	19,700	19,200	500	2.6
County	445,500	433,400	12,100	2.7
State	19,173,800	18,246,800	927,000	4.8
United States	160,320,000	153,337,000	6,982,000	4.4
<b>2018</b>				
Foster City	19,700	19,300	400	2.1
County	449,500	439,300	10,200	2.3
State	19,263,900	18,442,400	821,500	4.3
United States	162,075,000	155,761,000	6,314,000	3.9
<b>2019</b>				
Foster City	20,200	19,800	400	2.0
County	460,000	450,600	9,400	2.0
State	19,353,700	18,550,500	803,200	4.2
United States	163,539,000	157,538,000	6,001,000	3.7
<b>2020<sup>†</sup></b>				
Foster City	18,700	17,700	900	5.1
County	433,900	404,100	29,700	6.9
State	18,821,200	16,913,100	1,908,100	10.1
United States	160,742,000	147,795,000	12,947,000	8.1

<sup>†</sup> Most recent annual data available.

Sources: United States Department of Labor, Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey; State of California, Employment Development Department, State Employment Development Department, Labor Market Information Division.

## Employment and Industry

Approximately 16%, of Foster City, representing approximately 404.8 acres, is zoned for commercial and industrial use. The Foster City Planning Commission issued a comprehensive master plan in 2016 designed to promote commercial growth. Most of the industrial growth has occurred along State Route 92 in three areas known as Hatch Drive/Chess Drive, Lincoln Centre and Vintage Park. Because Foster City is within close proximity to Silicon Valley, San Francisco, San Jose, and the San Francisco airport, numerous companies, predominantly in the internet technology, biotechnology and software development industries, have established their headquarters in Foster City, including Acxiom Digital, Gilead Sciences, Imperva and Sling Media.

**TABLE A-1-5  
CITY OF FOSTER CITY  
Principal Employers 2020**

<u>Employer</u>	<u>Product/ Service</u>	<u>Employees</u>	<u>Percent of Total City Employment</u>
Gilead Sciences, Inc.	Biotechnology	8,268	38.66%
Visa U.S.A. Inc.	Global Payments	2,263	10.58
Inovant LLC	Global Payments	1,006	4.70
Zoox Inc	Transportation	530	2.48
Cybersource Corporation	Payment Management	435	2.03
Illumina Inc	Biotech	389	1.82
IBM Corporation	Computing	367	1.72
City of Foster City	Government	313	1.46
CSG Consultants, Inc.	Municipal Services	289	1.35
Exabeam Inc	Online Security	269	1.26

Source: City of Foster City and Estero Municipal Improvement District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020.

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Table A-1-6 summarizes the annual average employment throughout the San Francisco-Redwood City-South San Francisco Metropolitan Division (the “Metropolitan Area”), which includes the City of San Mateo, Foster City, and the County.

**TABLE A-1-6**  
**SAN FRANCISCO-REDWOOD CITY-SOUTH SAN FRANCISCO METROPOLITAN AREA**  
**Industry Employment and Labor Force**  
**By Annual Average**  
**2016 through 2020**

<b>Total All Industries</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020<sup>†</sup></b>
Total Farm	1,900	1,900	1,700	1,700	1,600
Total Nonfarm	1,080,200	1,104,400	1,136,900	1,177,700	1,073,700
Goods Producing	76,900	79,300	81,500	83,900	79,300
Manufacturing	38,200	39,400	39,000	39,400	36,600
Wholesale Trade	25,900	26,100	26,500	26,000	22,500
Retail Trade	81,200	81,200	80,400	78,400	67,900
Transportation, Warehousing & Utilities	40,500	43,900	47,300	50,600	44,300
Information	70,300	76,600	85,400	97,900	105,400
Financial Activities	80,400	80,900	83,200	85,900	83,100
Professional & Business Services	262,000	267,000	277,400	288,400	280,200
Educational & Health Services	133,400	136,000	138,900	146,100	141,800
Leisure & Hospitality	141,400	142,400	143,600	147,500	89,400
Other Services	40,700	41,100	41,400	41,500	32,400
Government	127,700	129,900	131,400	131,500	127,300

Source: State of California Employment Development Department, Labor Market Information Division, Industry Employment & Labor Force by Annual Average, March 2020 Benchmark.

## Personal Income

The United States Department of Commerce, Bureau of Economic Analysis (the “BEA”) produces economic accounts statistics that enable government and business decision-makers, researchers, and the public to follow and understand the performance of the national economy.

The BEA defines “personal income” as income received by persons from all sources, including income received from participation in production as well as from government and business transfer payments. Personal income represents the sum of compensation of employees (received), supplements to wages and salaries, proprietors’ income with inventory valuation adjustment and capital assets, and personal current transfer receipts, less contributions for government social insurance. Per capita personal income is calculated as the personal income divided by the resident population based upon the Census Bureau’s annual midyear population estimates.

Table A-1-7 summarizes the total personal income and per capita income for the County, the Metropolitan Area, the State and the United States for the calendar years 2016 through 2020 (the most recent annual data available). Specific data for Foster City is not available.

**TABLE A-1-7**  
**COUNTY, SAN FRANCISCO-SAN MATEO-REDWOOD CITY METROPOLITAN DIVISION,**  
**STATE OF CALIFORNIA AND UNITED STATES**  
**2016 through 2020**  
**Personal Income**

<b>Year and Area</b>	<b>Personal Income (millions of dollars)</b>	<b>Per Capita Personal Income (dollars)<sup>†</sup></b>
<b>2016</b>		
County	\$82,680,553	\$107,670
Metropolitan Area	183,319,349	111,820
State	2,273,558	58,074
United States	16,151,881	49,995
<b>2017</b>		
County	\$90,766,229	\$118,047
Metropolitan Area	198,511,381	120,533
State	2,383,131	60,581
United States	16,937,582	52,096
<b>2018</b>		
County	\$98,568,258	\$128,230
Metropolitan Area	215,987,262	130,951
State	2,514,503	63,759
United States	17,839,255	54,581
<b>2019</b>		
County	\$102,803,127	\$134,107
Metropolitan Area	225,695,268	136,941
State	2,632,280	66,745
United States	18,542,262	56,474
<b>2020</b>		
County	n/a	n/a
Metropolitan Area	n/a	n/a
State	\$2,814,011	\$71,480
United States	19,679,715	59,729

<sup>†</sup> Per capita income was computed using Census Bureau midyear population estimates. Estimates for 2010-2017 reflect county population estimates available as of March 2018. All dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, March 2020.  
 Last updated: November 24, 2021-- new statistics for 2020; revised statistics for 2010-2019.

## Construction Activity

The following table provides a summary of residential building permit valuations and nonresidential building permit valuations, and the total number of all building permit valuations in Foster City during the past five calendar years.

**Table A-1-8**  
**City of Foster City**  
**Building Permit Valuation**  
**Calendar Years 2015 through 2019†**  
**(\$ in Thousands)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019†</u>
New Single-Family	\$0	\$0	\$0	\$0	\$15,022
New Multi-Family	79,453	27,768	0	0	0
Res. Alterations/Additions	10,624	11,654	10,670	12,004	11,728
SUBTOTAL RESIDENTIAL	<u>90,077</u>	<u>39,422</u>	<u>10,670</u>	<u>12,004</u>	<u>26,750</u>
New Commercial	75,531	35,698	73,904	0	95
New Industrial	0	4,954	0	0	0
New Other	45,633	25,317	606	1,422	1,860
Com Alterations/Additions	<u>18,106</u>	<u>115,789</u>	<u>110,877</u>	<u>191,291</u>	<u>25,795</u>
SUBTOTAL NONRESIDENTIAL	139,270	181,758	185,387	192,713	27,750
TOTAL	<u>\$229,347</u>	<u>\$221,180</u>	<u>\$196,057</u>	<u>\$204,717</u>	<u>\$54,500</u>
<u>New Dwelling Units</u>					
Single-Family	0	0	0	0	21
Multi-Family	346	74	0	0	0
TOTAL	<u>346</u>	<u>74</u>	<u>0</u>	<u>0</u>	<u>21</u>

† Most recent annual data available.

Sources: Construction Industry Research Board, Building Permit Summary for Calendar Years 2015 through 2019.

## Assessed Value and Residential Sales Prices

The total assessed value in Foster City for Fiscal Year 2020-21 was \$12.8 billion, an approximately 6.98% increase over the Fiscal Year 2019-20 assessed value.

According to the San Mateo County Association of Realtors, the average sales price for single-family residential homes in Foster City for 2020 was \$1,942,762 and the median sale price was \$1,910,000. For condominiums and other common interest developments, the average sales price was \$1,174,413 and the median sales price was \$1,228,000.

## Transportation

Foster City sits on the eastern edge of the San Francisco Peninsula with direct access to the cities of San Francisco and San Jose, the entirety of Silicon Valley, and the municipalities on the east side of the San Francisco Bay. State Route 92 runs directly through Foster City, providing access across the San Francisco Bay, and directly links to U.S. Route 101 (which runs North and South through San Francisco, San Jose and Los Angeles) and State Route 280 which runs through portions of Silicon Valley. Foster City

is located approximately 9.7 miles from the San Francisco Airport, 22.7 miles from the Oakland Airport and 27.6 miles from the San Jose Airport.

There are two bus services that serve Foster City, SamTrans and AC Transit. SamTrans operates bus lines throughout the County and the San Francisco Peninsula, into Silicon Valley and into parts of San Francisco. AC Transit operates 33 lines throughout the larger Bay Area, connecting Foster City across the San Francisco Bay to the City of Hayward. Foster City also has proximate access to Caltrain, the commuter rail line that operates throughout the San Francisco Peninsula and into the Santa Clara Valley (Silicon Valley). The San Mateo Station, which serves a stop on the Caltrain line that runs north and south through the San Francisco Peninsula, is approximately 4.0 miles from Foster City.

Several Caltrain shuttles also service Foster City, including the Foster City-Lincoln Centre Caltrain Shuttle, which runs from Lincoln Centre in Foster City to Hillsdale Caltrain Station, the Mariners' Island Caltrain Shuttle, which runs from Mariners' Island in Foster City to the Hillsdale Caltrain Station and the Foster City-North BART/Caltrain shuttle, which runs from Foster City to Millbrae Station in Millbrae (which provides access to both Bay Area Regional Transit ("BART") and Caltrain). Two BART lines run from Millbrae station: the yellow line, which runs north through the San Francisco Peninsula to Oakland and ends at Antioch and the red line, which runs north through the San Francisco Peninsula into Berkeley and ends at Richmond.

## **Education and Recreation**

**Education.** Residents in Foster City are served by primary and secondary education schools within the San Mateo Foster City School District and San Mateo Union High School District. San Mateo Foster City School District consists of three middle schools, 13 elementary schools, and three kindergarten through grade-8 ("K-8") schools. Three of the elementary schools and one of the middle schools are located within Foster City. San Mateo Union High School District consists of seven public high schools attended by residents in Foster City, the City of San Mateo, San Bruno, Millbrae, Burlingame, and Hillsborough. Residents of Foster City are also served by the San Mateo County Community College District for local public higher education, which consists of three schools that provide associate's degrees: Cañada College (in Redwood City), College of San Mateo (in San Mateo) and Skyline College (in San Bruno). The Ronald C. Wornick Jewish Day School is located within Foster City and provides private education to K-8 students.

**Recreation.** Foster City contains 24 parks (totaling over 160 acres) and publicly accessible open space land that are managed by the Foster City Parks and Recreation Department, including bike paths, dog exercise areas, recreational sports fields (including softball, soccer, and youth baseball), tennis courts, basketball courts, picnic facilities, bocce ball courts, walkways, pedways and a wildlife refuge. In addition, the Foster City lagoon system and waterways cover approximately 200 acres, which are available for sailing, kiteboarding, windsurfing, and other non-powerboating water activities. The lagoons in Foster City are also available for swimming and recreational (non-commercial) fishing.

The Foster City Parks and Recreation Department offers a variety of activities and classes for Foster City residents, including programs specifically designed for youth and teens (including the VIBE Teen Center) as well as adults and seniors, as well as seasonal-specific activities. The Parks and Recreation Department also offers a Chinese immersion class for students where they are taught Mandarin and learn about Chinese culture. Many Parks and Recreation activities take place at the William E. Walker Recreation Center in Foster City which includes numerous classrooms and a banquet hall. Adult sports leagues of softball, bocce ball and open gym basketball are also programs organized by the Parks and Recreation Department.

Foster City hosts numerous other festivals and holiday celebrations throughout the year, including a Lunar New Year Celebration, a Holi Festival, a Polynesian Festival, a Fourth of July Celebration, a Summer Concert Series, a Halloween Festival and a Holiday Tree Lighting.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE  
FISCAL YEAR ENDED JUNE 30, 2020**

*The following is the complete comprehensive annual financial report for Foster City and the District for the Fiscal Year ended June 30, 2020. Only the revenues of the District Wastewater Enterprise are pledged to pay the Authority Bond Payments of the District under its Financing Agreement. The inclusion of the complete comprehensive annual financial report for Foster City and the District does not imply that any revenues of Foster City other than those of its Wastewater Enterprise are pledged to make any payment under its Financing Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE AUTHORITY BOND PAYMENTS–Nature of the Authority Bond Payments Obligation” in the front of this Official Statement.*

## APPENDIX A-2

### **CERTAIN GENERAL, ECONOMIC, DEMOGRAPHIC, AND FINANCIAL INFORMATION RELATING TO THE ESTERO MUNICIPAL IMPROVEMENT DISTRICT AND THE CITY OF SAN MATEO**

*The following information concerning the City of San Mateo (the “City”) and surrounding areas is included only for the purpose of supplying general information regarding the community. The 2021 Obligations are not a debt of the City, the State of California (the “State”) or any of its political subdivisions and neither Foster City, the State, nor any of its political subdivisions is liable therefor. The 2021 Obligations are special obligations of the San Mateo-Foster City Public Financing Authority (the “Authority”) payable solely from a pledge of Revenues, consisting primarily of payments made by the City and the City of Foster City to the Authority pursuant to the respective Financing Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2021 CITY OBLIGATIONS” and “SECURITY AND SOURCES OF PAYMENT FOR THE AUTHORITY BOND PAYMENTS” in the front of this Official Statement.*

#### **General**

**City.** The City is a municipal corporation and charter city which was incorporated on September 4, 1894. The City is situated in San Mateo County, (the “County”) stretching between the foothills of the Santa Cruz Mountains and the San Francisco Bay, and covers 15.88 square miles (12.13 square miles of land and 3.75 square miles of water). The 2010 census reported that San Mateo’s population was 97,207, and current estimates issued by the United States Census Bureau for 2020 have San Mateo’s population at 103,087, equaling 6.0% growth since 2010. The City is approximately 16 miles south of San Francisco and 333.7 miles north of Los Angeles. The City is located north west of the City of Foster City, borders the cities of Burlingame to the north, Hillsborough to the east, and Belmont to the south.

**County.** The County encompasses 553 square miles of area immediately south of San Francisco, over a stretch of 50 miles between the Pacific Ocean and the San Francisco Bay. The County is the 14th most populous county in the State and the State Department of Finance estimated the population of the County to be 773,244 as of January 1, 2020.

#### **Governing Body**

**Elected Officials and Administrative Personnel.** The City operates under a Council/Manager form of government and is governed by a five-member City Council, elected at-large to staggered four-year terms (with a maximum of three consecutive terms). Members of the City Council serve on a part-time basis. The Mayor and Vice Mayor positions rotate each December among the members of the City Council.

The City Manager, appointed by the City Council, is the administrative head of the government of the City and is responsible for providing general administrative and legislative support to the City Council, as well as overseeing the general operation of the City and various departments and programs of the municipal government, including Communications, Economic Development, Sustainability and Volunteer Source.

The members of the City Council and other key administrative personnel are listed in Tables A-2-1 and A-2-2, respectively.

**TABLE A-2-1  
CITY OF SAN MATEO  
Members of the City Council**

<b>Name</b>	<b>Office</b>	<b>Term Expiration Date</b>	<b>Occupation</b>
Eric Rodriguez	Mayor	December 2022	Businessman
Rick Bonilla	Deputy Mayor	December 2022	Former Carpenter/Union Field Representative
Joe Goethals	Councilmember	December 2022	Attorney
Amourence Lee	Councilmember	December 2024	
Diane Papan	Councilmember	December 2024	Attorney

**TABLE A-2-2  
CITY OF SAN MATEO  
Key Administrative Personnel**

<b>Name</b>	<b>Office</b>
Drew Corbett	City Manager
Prasanna Rasiah	City Attorney
Patrice Olds	City Clerk
Christina Horrisberger	Director of Community Development
Brad Underwood	Director of Public Works
Richard Lee	Finance Director

## Population

Since 2010, the population of the City has increased by approximately 5,880 or approximately 6.0%. Between 2015 and 2019, it is estimated that the population has grown by 1,739 or approximately 1.7%. Table A-2-3 summarizes the estimated population for the City, the County and the State as of January 1 for the years 2016 through 2020.

**TABLE A-2-3  
CITY, COUNTY AND STATE  
POPULATION ESTIMATES  
2016 through 2020  
(As of January 1)**

<b>Year</b>	<b>City</b>	<b>County</b>	<b>State</b>
2016	102,922	767,921	39,131,307
2017	103,139	770,785	39,398,702
2018	103,605	772,984	39,586,646
2019	103,569	774,231	39,695,376
2020	103,087	773,244	39,782,870

Sources: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State 2011-2020, with 2010 Census Benchmark. Sacramento, California, May 2020 and State of California, Department of Finance, and State of California, Department of Finance, and State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change January 1, 2019 and 2020. Sacramento, California, May 2020.

## Labor Force and Employment

The following Table A-2-4 compares annual estimates of the labor force, civilian employment, and unemployment for City, County, State, and United States residents between 2016 and 2020 as estimated by the United States Department of Labor and State Employment Development Department. For February 2021, the preliminary estimated unemployment rate (not seasonally adjusted) for the City was 4.7%, for the County was 5.3%, for the State was 8.4%, and for the United States was 6.6%.

**TABLE A-2-4**  
**CITY, COUNTY, STATE AND UNITED STATES**  
**Civilian Labor Force, Employment and Unemployment**  
**2016 through 2020<sup>†</sup>**  
**(Not Seasonally Adjusted)**

<u>Year</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
<b>2016</b>				
City	62,700	60,900	1,800	2.9%
County	441,800	428,300	13,500	3.0
State	19,012,000	17,965,400	1,046,600	5.5
United States	159,187,000	151,436,000	7,751,000	4.9
<b>2017</b>				
City	63,200	61,500	1,700	2.6
County	445,500	433,400	12,100	2.7
State	19,173,800	18,246,800	927,000	4.8
United States	160,320,000	153,337,000	6,982,000	4.4
<b>2018</b>				
City	64,000	62,700	1,400	2.1
County	449,500	439,300	10,200	2.3
State	19,263,900	18,442,400	821,500	4.3
United States	162,075,000	155,761,000	6,314,000	3.9
<b>2019</b>				
City	65,500	64,300	1,300	1.9
County	460,000	450,600	9,400	2.0
State	19,353,700	18,550,500	803,200	4.2
United States	163,539,000	157,538,000	6,001,000	3.7
<b>2020<sup>†</sup></b>				
City	61,300	57,500	3,800	6.1
County	433,900	404,100	29,700	6.9
State	18,821,200	16,913,100	1,908,100	10.1
United States	160,742,000	147,795,000	12,947,000	8.1

<sup>†</sup> Most recent annual data available.

Sources: United States Department of Labor, Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey; State of California, Employment Development Department, State Employment Development Department, Labor Market Information Division.

## Employment and Industry

The City serves as one of the business and industry hubs for the surrounding area and is a major center of economic activity. With its proximity to Silicon Valley and San Francisco the City has become a desirable location for industrial growth, especially in the technology sector. Major technological innovation companies have established headquarters within the City, including the PlayStation division of Sony Interactive Entertainment America, GoPro and Net Suite. Employment is not concentrated solely in the technological space, but is diversified across several sectors, including professional and financial services, retail, healthcare and education. The City is in the process of implementing its General Plan, which includes long-range planning designed to promote further business development and economic growth. In addition, the City has several site-specific development plans in place, including the Bay Meadows Phase II Development Plan (a mixed-use redevelopment project designed to revitalize the Bay Meadows race track for residential, commercial and retail purposes, which is approximately 2/3 complete), the Station Park Green Mixed-Use Plan (a transit-oriented mixed-use plan near the Caltrain station and State Route 92 which will include 599 residential units, 10,000 to 15,000 square feet of office space, 25,000 – 30,000 square feet of retail and restaurant space, and approximately 3.4 acres of park space), and the Hillsdale Shopping Center North Block renovation (a revitalization of approximately 1.27 million square feet of dining and entertainment space, the largest in the City), which is expected to open in summer 2019.

**TABLE A-2-5  
CITY OF SAN MATEO  
Principal Employers, 2020**

<b>Employer</b>	<b>Product/ Service</b>	<b>Employees</b>	<b>Percent of Total City Employment</b>
County of San Mateo Medical Center	Healthcare	1,352	2.25%
Sony Interactive Entertainment America, PlayStation America	Entertainment	1,244	2.07
San Mateo-Foster City Unified School District	Public Education	1,115	1.86
San Mateo Union High School District	Public Education	1,033	1.72
Franklin Templeton Investor	Investment Firm	904	1.50
San Mateo County Behavioral Health	Healthcare	630	1.05
Net Suite Inc.	Software Company	600	1.00
Rakuten	Electronic Commerce	600	1.00
City of San Mateo	Government	457	0.76
San Mateo Community College District	Public Education	409	0.68

Source: City of San Mateo Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020.

Table A-2-6 summarizes the annual average employment throughout the San Francisco-Redwood City-South San Francisco Metropolitan Division (the “Metropolitan Area”), an area which includes the City, the City of Foster City, and the County.

**TABLE A-2-6**  
**SAN FRANCISCO-REDWOOD CITY-SOUTH SAN FRANCISCO**  
**METROPOLITAN DIVISION**  
**Industry Employment and Labor Force**  
**By Annual Average**  
**2016 through 2020<sup>†</sup>**

<b>Total All Industries</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020<sup>†</sup></b>
Total Farm	1,900	1,900	1,700	1,700	1,600
Total Nonfarm	1,080,200	1,104,400	1,136,900	1,177,700	1,073,700
Goods Producing	76,900	79,300	81,500	83,900	79,300
Manufacturing	38,200	39,400	39,000	39,400	36,600
Wholesale Trade	25,900	26,100	26,500	26,000	22,500
Retail Trade	81,200	81,200	80,400	78,400	67,900
Transportation, Warehousing & Utilities	40,500	43,900	47,300	50,600	44,300
Information	70,300	76,600	85,400	97,900	105,400
Financial Activities	80,400	80,900	83,200	85,900	83,100
Professional & Business Services	262,000	267,000	277,400	288,400	280,200
Educational & Health Services	133,400	136,000	138,900	146,100	141,800
Leisure & Hospitality	141,400	142,400	143,600	147,500	89,400
Other Services	40,700	41,100	41,400	41,500	32,400
Government	127,700	129,900	131,400	131,500	127,300

<sup>†</sup> Most recent annual data available.

Source: State of California Employment Development Department, Labor Market Information Division, Industry Employment & Labor Force by Annual Average, March 2020 Benchmark.

## Personal Income

The United States Department of Commerce, Bureau of Economic Analysis (the “BEA”) produces economic accounts statistics that enable government and business decision-makers, researchers, and the public to follow and understand the performance of the national economy.

The BEA defines “personal income” as income received by persons from all sources, including income received from participation in production as well as from government and business transfer payments. Personal income represents the sum of compensation of employees (received), supplements to wages and salaries, proprietors’ income with inventory valuation adjustment and capital assets, and personal current transfer receipts, less contributions for government social insurance. Per capita personal income is calculated as the personal income divided by the resident population based upon the Census Bureau’s annual midyear population estimates.

Table A-2-7 summarizes the total personal income and per capita income for the County, the Metropolitan Area, the State and the United States for the calendar years 2013 through 2017 (the most recent annual data available). Specific data for the City is not available.

**TABLE A-2-7**  
**SAN FRANCISCO-SAN MATEO-REDWOOD CITY METROPOLITAN DIVISION,**  
**STATE OF CALIFORNIA AND UNITED STATES**  
**PERSONAL INCOME**  
**2016 through 2020**

Year and Area	Personal Income (millions of dollars)	Per Capita Personal Income (dollars) <sup>†</sup>
<b>2016</b>		
County	\$82,680,553	\$107,670
Metropolitan Area	183,319,349	111,820
State	2,273,558	58,074
United States	16,151,881	49,995
<b>2017</b>		
County	\$90,766,229	\$118,047
Metropolitan Area	198,511,381	120,533
State	2,383,131	60,581
United States	16,937,582	52,096
<b>2018</b>		
County	\$98,568,258	\$128,230
Metropolitan Area	215,987,262	130,951
State	2,514,503	63,759
United States	17,839,255	54,581
<b>2019</b>		
County	\$102,803,127	\$134,107
Metropolitan Area	225,695,268	136,941
State	2,632,280	66,745
United States	18,542,262	56,474
<b>2020</b>		
County	n/a	n/a
Metropolitan Area	n/a	n/a
State	\$2,814,011	\$71,480
United States	19,679,715	59,729

<sup>†</sup> Per capita income was computed using Census Bureau midyear population estimates. Estimates for 2010-2017 reflect county population estimates available as of March 2018. All dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, March 2020.  
 Last updated: November 24, 2021-- new statistics for 2020; revised statistics for 2010-2019.

## Construction Activity

The following table provides a summary of residential building permit valuations and nonresidential building permit valuations, and the total number of all building permit valuations in the City during the past five calendar years.

**Table A-2-8**  
**City of San Mateo**  
**Building Permit Valuation**  
**Calendar Years 2015 through 2019†**  
**(\$ in Thousands)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019†</u>
New Single-Family	\$29,222	\$11,689	\$24,159	\$1,921	\$4,455
New Multi-Family	54,724	20,710	64,896	11,561	104,342
Res. Alterations/Additions	69,095	48,574	48,980	47,843	39,037
SUBTOTAL RESIDENTIAL	<u>153,041</u>	<u>80,973</u>	<u>138,035</u>	<u>61,325</u>	<u>147,834</u>
New Commercial	72,239	36,549	206,057	6,832	58,926
New Industrial	0	0	0	0	0
New Other	90,812	8,887	9,925	9,898	1,126
Com Alterations/Additions	<u>55,867</u>	<u>63,501</u>	73,093	<u>161,390</u>	<u>54,627</u>
SUBTOTAL	218,918	108,937	289,075	178,120	114,679
NONRESIDENTIAL					
TOTAL	\$371,959	\$189,910	\$427,110	\$239,445	\$262,513
<u>New Dwelling Units</u>					
Single-Family	100	36	72	8	15
Multi-Family	<u>323</u>	<u>74</u>	<u>373</u>	<u>63</u>	<u>332</u>
TOTAL	423	110	445	71	347

† Most recent annual data available.

Sources: Construction Industry Research Board, Building Permit Summary for Calendar Years 2015 through 2019.

## Assessed Value and Residential Sales Prices

The total assessed value in the City for Fiscal Year 2020-21 was \$30.8 billion, an approximately 7.5% increase over the Fiscal Year 2019-20 assessed value.

According to the San Mateo County Association of Realtors, the average sales price for single-family residential homes in the City for 2020 was \$1,825,241 and the median sale price was \$1,650,000. For condominiums and other common interest developments, the average sales price was \$968,347 and the median sales price was \$905,000.

## **Transportation**

The City is situated on the eastern side of the San Francisco Peninsula, and shares a southeastern border with Foster City. U.S. Route 101 (which runs north-south) and State Route 92 (which runs east-west) intersect in the City, providing direct access to San Francisco, San Jose, Silicon Valley and the East Bay communities. The western edge of the City borders Interstate 280 (which runs north-south) and provides additional access from the City to San Francisco, Silicon Valley, and San Jose. The City is located approximately 6.1 miles from the San Francisco Airport, 24.8 miles from the Oakland Airport and 28.2 miles from the San Jose Airport.

There are two bus services that serve the City, SamTrans and AC Transit. SamTrans operates bus lines throughout the County and the San Francisco Peninsula, into Silicon Valley and into parts of San Francisco, and AC Transit operates 33 lines throughout the larger Bay Area, connecting the City across the San Francisco Bay into the East Bay community of Hayward. There are three Caltrain stations located within the City: the San Mateo Station (located downtown), the Hayward Park Station, and the Hillsdale Station. The Hillsdale Station provides express trains to both San Francisco and Silicon Valley.

The City also provides several shuttles through Connect San Mateo to locations throughout the City, providing access to various commercial business parks, retail and grocery store locations, health system locations, Caltrain stations and the Millbrae BART and Caltrain station.

## **Education and Recreation**

**Education.** Residents in the City are served by primary and secondary education schools within the San Mateo Foster City School District and San Mateo Union High School District. The San Mateo Foster City School District covers both the City and Foster City, and consists of three middle schools, 13 elementary schools, and three kindergarten through grade-8 (“K-8”) schools. Eleven of the elementary schools and two of the middle schools and all three K-8 schools are located within the City. The San Mateo Union High School District consists of seven public high schools attended by residents in the City, Foster City, San Bruno, Millbrae, Burlingame, and Hillsborough, three of which are located in the City: Aragon, Hillsdale and San Mateo. In addition, there are three private high schools attended by residents: Junipero Serra High School in the City (an all-boys Catholic preparatory school), Notre Dame High School in Belmont (an all-girls Catholic preparatory school), and The Nueva School in Hillsborough and San Mateo (a kindergarten through grade 12 private school). There are also several other private institutions located in the City that provide elementary and middle school education. Residents of the City are also served by the San Mateo County Community College District for local public higher education, which consists of three schools that provide associate’s degrees: Cañada College (in Redwood City), the College of San Mateo (in the City) and Skyline College (in San Bruno). The College of San Mateo, a community college that provides over 70 associate’s degrees and over 70 certificate programs to over 10,000 students, is located on a 153 acre campus on the western edge of the City.

The Peninsula Library System operates three public libraries in the City: the Main Library, the Hillsdale Library and the Marina Library.

**Recreation.** There are 15 parks throughout the City. Central Park, the most trafficked of the parks, is located next to downtown and hosts community park functions throughout the year. Within Central Park, there is a Japanese tea garden, a rose garden and a mini train. Beresford Park, located towards the foothills, contains a skate plaza, tennis courts, recreational athletic fields, a recreation center and a community garden. Martin Luther King Jr. Park and Joinville Park contain swimming pools, and many of the other parks contain grills, play areas, basketball and tennis courts, and other recreational amenities. Parkside Aquatic Park, located along the San Francisco Bay, has a water park facility. Sawyer Camp Trail, a six mile trail

which runs along the western edge of the City along the Crystal Springs Reservoir, is also a well frequented location for joggers and bikers.

Coyote Point Park, located along the San Francisco Bay near the Burlingame border, is a 670 acre regional County park, contains trails for running and bicycling and includes sections of the San Francisco Bay Trail. Several recreational facilities are located in the park, including the Captains House Conference Facility, Coyote Point Marina and CuriOdyssey, a non-profit science museum and zoo that offers year-round programs and exhibits featuring native wildlife and plant life, including a 4,000 square foot aviary.

The San Mateo Performing Arts Center, one of the largest theaters on the San Francisco Peninsula outside of San Francisco with 1,540 seats, hosts cultural events open to the public throughout the year.

The City also hosts many programs throughout the year that spotlight and celebrate various cultures. The Main Library annually hosts a Hispanic film festival throughout October, and an active peninsula Italian American Social club hosts various events throughout the year.

### **COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

*The following is the complete comprehensive annual financial report for the City for the Fiscal Year ended June 30, 2020. Only the revenues of the San Mateo Sewer Enterprise are pledged to pay the Authority Bond Payments of the City under its Financing Agreement. The inclusion of the complete comprehensive annual financial report for the City does not imply that any revenues of the City other than those of the San Mateo Sewer Enterprise are pledged to make any payment under its Financing Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE AUTHORITY BOND PAYMENTS–Nature of the Authority Bond Payments Obligation" in the front of this Official Statement.*

**APPENDIX B-1**

**SUMMARY OF THE  
ESTERO MUNICIPAL IMPROVEMENT DISTRICT FINANCING AGREEMENT**

**APPENDIX B-2**

**SUMMARY OF THE  
CITY OF SAN MATEO FINANCING AGREEMENT**

**APPENDIX B-3**

**SUMMARY OF THE INDENTURES OF TRUST**

**APPENDIX C**

**PROPOSED FORMS OF CONTINUING DISCLOSURE CERTIFICATES**

Estero Municipal Improvement District.....C-1  
City of San Mateo.....C-8

**ESTERO MUNICIPAL IMPROVEMENT DISTRICT  
FORM OF CONTINUING DISCLOSURE CERTIFICATE**

This CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”), is executed and delivered by the ESTERO MUNICIPAL IMPROVEMENT DISTRICT (the “District”) in connection with the issuance by San Mateo-Foster City Public Financing Authority (the “Authority”) of its \$ \_\_\_\_\_ San Mateo-Foster City Public Financing Authority 2021 Wastewater Revenue Notes, Series A (Estero Municipal Improvement District) (the “Notes”). The Notes are being issued under an Indenture of Trust dated as of June 1, 2021 (the “Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Notes are payable from revenues including payments to be made by the District under a Financing Agreement (the “Financing Agreement”) between the Authority and the District. 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 Notes 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 in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms have the following meanings:

“*Annual Report*” means any Annual Report provided by the District under and as described in Sections 3 and 4.

“*Annual Report Date*” means the date that is nine months after the end of the District’s fiscal year (currently March 31 based on the District’s fiscal year end of June 30).

“*Dissemination Agent*” means any Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. The District shall act as initial Dissemination Agent.

“*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.

“*Participating Underwriter*” means the original underwriter of the Notes required to comply with the Rule in connection with offering of the Notes.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended from time to time.

“*Significant Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

**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 with the report for the 2020-21 fiscal year, provide to the MSRB, in an electronic format prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4. 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 this Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the District's fiscal year changes, it shall give notice of such change through the MSRB. 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 is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall send a notice to the MSRB and the appropriate State Repository, if any, in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall: (i) determine each year prior to the 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 under this Disclosure Certificate, and stating the date it was provided and listing all the MSRB to which it was provided.

**Section 4. Content of Annual Reports.** The District's Annual Report shall contain or incorporate by reference the following:

(a) 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 time the Annual Report is required to be filed under Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed under the preceding clause (a), the Annual Report shall contain information showing the following:

- (i) revenues by class of user for the Wastewater System for the most recently completed fiscal year;
- (ii) the top ten Wastewater System users by revenue for the most recently completed fiscal year;
- (iii) a description of any revisions to the wastewater rates which were adopted or which took effect during the most recently completed fiscal year;
- (iv) the Wastewater System's revenues and expenses and Net Revenues, including debt service and coverage ratios, for the most recently completed fiscal year;
- (v) a description of any additional indebtedness incurred by the District during the most recently completed fiscal year which is payable from revenues of the Wastewater System; and

- (vi) for any fiscal year during which the District's finance director is the Treasurer-Auditor-Controller of the Authority and until such time as they are closed (in which case the Annual Report shall specify that the fund, account, or subaccount was closed in the most recently completed fiscal year), the balances as of June 30 of the most recently completed fiscal year in the District Wastewater Treatment Project Fund.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the District shall provide such further 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.

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 web site 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 Significant Events:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults, if material.
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.
- (vi) 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.
- (vii) Modifications to rights of security holders, if material.
- (viii) Bond calls, if material, and tender offers.
- (ix) Defeasances.
- (x) Release, substitution, or sale of property securing repayment of the securities, if material.
- (xi) Rating changes.
- (xii) Bankruptcy, insolvency, receivership, or similar event of the City or other obligated person.

- (xiii) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City 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.
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (xv) 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 City, any of which affect security holders, if material.
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Significant 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 Significant Event. Notwithstanding the foregoing, notice of Significant Events described in subparagraphs (a)(viii) and (ix) of this Section 5 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 Bonds under the Indenture.

(c) The District acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), (a)(xiv), and (a)(xv) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(vi) also contains the qualifier “material” with respect to certain notices, determinations, or other events affecting the tax status of the Bonds. 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 Significant 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 subparagraph (a)(xii) of this Section 5 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 subparagraphs (a)(xv) and (xvi) of this Section 5, “financial obligation” means a (1) debt obligation; (2) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (3) guarantee of (1) or (2). The term

financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

**Section 6. Termination of Reporting Obligation.** The District's obligations under this Disclosure Certificate shall terminate upon the payment or prepayment in full by the District of its obligations under the Financing Agreement. If such termination occurs prior to the final maturity of the Notes, the District shall give notice of such termination to the MSRB.

**Section 7. 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 such Agent, with or without appointing a successor Dissemination Agent.

**Section 8. Amendment; Waiver.** 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, 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 Notes, 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 Notes, 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 Notes in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Notes.

If the annual financial information or operating data to be provided in the Annual Report is amended under the provisions hereof, the first annual financial information filed hereunder 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 the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information 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 the change in the accounting principles shall be filed with the MSRB.

**Section 9. Additional Information.** Nothing herein prevents 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, in addition to that

which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report 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.

**Section 10. Default.** If the District fails to comply with any provision of this Disclosure Certificate any holder or beneficial owner of the Notes 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 Financing Agreement or the Indenture, and the sole remedy under this Disclosure Certificate if the District fails to comply with this Disclosure Certificate shall be an action to compel performance.

**Section 11. Beneficiaries.** This Disclosure Certificate inures solely to the benefit of the District, the Authority, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Notes, and creates no rights in any other person or entity.

**Section 12. 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.

Dated: \_\_\_\_\_, 2021

**ESTERO MUNICIPAL IMPROVEMENT  
DISTRICT**

By: \_\_\_\_\_  
Name  
Title

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: San Mateo-Foster City Public Financing Authority  
Name of Issue: 2021 Wastewater Revenue Notes, Series A (Estero Municipal Improvement District)  
Date of Issuance: \_\_\_\_\_, 2021

NOTICE IS HEREBY GIVEN that the Estero Municipal Improvement District has not provided an Annual Report with respect to the above-named Notes as required by the Continuing Disclosure Certificate, dated \_\_\_\_\_, 2021. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated:

**ESTERO MUNICIPAL IMPROVEMENT DISTRICT**

By: \_\_\_\_\_  
Name  
Title

**CITY OF SAN MATEO**  
**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

This CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”), is executed and delivered by the CITY OF SAN MATEO (the “City”) in connection with the issuance by San Mateo-Foster City Public Financing Authority (the “Authority”) of its \$ \_\_\_\_\_ San Mateo-Foster City Public Financing Authority 2021 Wastewater Revenue Notes, Series B (City of San Mateo), and \$ \_\_\_\_\_ San Mateo-Foster City Public Financing Authority 2021 Wastewater Revenue Bonds, Refunding Series A (City of San Mateo) (collectively, the “Obligations”). The Obligations are being issued under an Indenture of Trust dated as of June 1, 2021 (the “Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Obligations are payable from revenues including payments to be made by the City under a Financing Agreement (the “Financing Agreement”) between the Authority and the City. The City covenants and agrees as follows:

**Section 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Obligations 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 in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms have the following meanings:

“*Annual Report*” means any Annual Report provided by the City under and as described in Sections 3 and 4.

“*Annual Report Date*” means the date that is nine months after the end of the City’s fiscal year (currently March 31 based on the City’s fiscal year end of June 30).

“*Dissemination Agent*” means any Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation. Urban Futures, Inc. has been appointed as the initial Dissemination Agent.

“*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.

“*Participating Underwriter*” means the original underwriter of the Obligations required to comply with the Rule in connection with offering of the Obligations.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended from time to time.

“*Significant Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

**Section 3. Provision of Annual Reports.**

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing with the report for the 2020-21 fiscal year, provide to the MSRB, in an electronic format prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to

the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City 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 this Section 4; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the City's fiscal year changes, it shall give notice of such change through the MSRB. The City 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 City hereunder.

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City shall send a notice to the MSRB and the appropriate State Repository, if any, in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall: (i) determine each year prior to the 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 City, file a report with the City certifying that the Annual Report has been provided under this Disclosure Certificate, and stating the date it was provided and listing all the MSRB to which it was provided.

**Section 4. Content of Annual Reports.** The City's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements of the City 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 City's audited financial statements are not available by the time the Annual Report is required to be filed under Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

Audited financial statements of the Authority 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 Authority's audited financial statements are not available by the time the Annual Report is required to be filed under Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed under the preceding clause (a), the Annual Report shall contain information showing the following:

- (i) revenues by class of user for the Sewer Enterprise for the most recently completed fiscal year;
- (ii) the top ten Sewer Enterprise users by revenue for the most recently completed fiscal year;
- (iii) a description of any revisions to the wastewater rates which were adopted or which took effect during the most recently completed fiscal year;

- (iv) the Sewer Enterprise's revenues and expenses and Net Revenues, including debt service and coverage ratios, for the most recently completed fiscal year;
- (v) a description of any additional indebtedness incurred by the City during the most recently completed fiscal year which is payable from revenues of the Sewer Enterprise;
- (vi) for any fiscal year during which the City's finance director is the Treasurer-Auditor-Controller of the Authority and until such time as they are closed (in which case the Annual Report shall specify that the fund, account, or subaccount was closed in the most recently completed fiscal year), the balances as of June 30 of the most recently completed fiscal year in the San Mateo Wastewater Treatment Project Fund.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section 4, the City shall provide such further 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.

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 City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

#### **Section 5. Reporting of Significant Events.**

- (a) The City shall give, or cause to be given, notice of the occurrence of any of the following Significant Events:
- (i) Principal and interest payment delinquencies.
  - (ii) Non-payment related defaults, if material.
  - (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
  - (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
  - (v) Substitution of credit or liquidity providers, or their failure to perform.
  - (vi) 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.
  - (vii) Modifications to rights of security holders, if material.
  - (viii) Bond calls, if material, and tender offers.
  - (ix) Defeasances.

- (x) Release, substitution, or sale of property securing repayment of the securities, if material.
- (xi) Rating changes.
- (xii) Bankruptcy, insolvency, receivership, or similar event of the City or other obligated person.
- (xiii) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City 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.
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (xv) 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 City, any of which affect security holders, if material.
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

(b) Whenever the City obtains knowledge of the occurrence of a Significant Event, the City shall, or shall cause the Dissemination Agent (if not the City) 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 Significant Event. Notwithstanding the foregoing, notice of Significant Events described in subparagraphs (a)(viii) and (ix) of this Section 5 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 Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), (a)(xiv), and (a)(xv) 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 Bonds. The City 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 City obtains knowledge of the occurrence of any of these Significant Events, the City 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 City 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 subparagraph (a)(xii) of this Section 5 is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City 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 City, 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 City.

(e) For purposes of subparagraphs (a)(xv) and (xvi) of this Section 5, “financial obligation” means a (1) debt obligation; (2) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (3) guarantee of (1) or (2). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

**Section 6. Termination of Reporting Obligation.** The City’s obligations under this Disclosure Certificate shall terminate upon the payment or prepayment in full by the City of its obligations under the Financing Agreement. If such termination occurs prior to the final maturity of the Obligations, the City shall give notice of such termination to the MSRB.

**Section 7. Dissemination Agent.** The City 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 such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent is Urban Futures, Inc.

Any notices or communications to or among any of the parties to this Disclosure Certificate may be given as follows:

To the City	City of San Mateo City Hall 330 West 20th Street San Mateo, California 94403 Attention: Finance Director Telephone: 650-552-7102
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If to the Dissemination Agent:	Urban Futures, Inc. 17821 17th Street, Suite 245 Tustin, CA 92780 Attention: Chief Executive Officer Phone: 714-283-9334
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**Section 8. Amendment; Waiver.** The City 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, 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 Obligations, 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 Obligations, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

- (c) the proposed amendment or waiver either (i) is approved by holders of the Obligations in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Obligations.

If the annual financial information or operating data to be provided in the Annual Report is amended under the provisions hereof, the first annual financial information filed hereunder 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 the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information 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 City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed with the MSRB.

**Section 9. Additional Information.** Nothing herein prevents the City 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, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report.

**Section 10. Default.** If the City fails to comply with any provision of this Disclosure Certificate any holder or beneficial owner of the Obligations may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Financing Agreement or the Indenture, and the sole remedy under this Disclosure Certificate if the City fails to comply with this Disclosure Certificate shall be an action to compel performance.

**Section 11. Beneficiaries.** This Disclosure Certificate inures solely to the benefit of the City, the Authority, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Obligations, and creates no rights in any other person or entity.

**Section 12. 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.

Dated: \_\_\_\_\_, 2021

**CITY OF SAN MATEO**

By: \_\_\_\_\_  
Richard Lee  
Finance Director

**ACKNOWLEDGED AND ACCEPTED:**

**URBAN FUTURES, INC.**

By: \_\_\_\_\_  
Michael Busch  
Chief Executive Officer

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: San Mateo-Foster City Public Financing Authority

Name of Issue: 2021 Wastewater Revenue Notes, Series B (City of San Mateo)  
2021 Wastewater Revenue Bonds, Refunding Series A (City of San Mateo)

Date of Issuance: \_\_\_\_\_, 2021

NOTICE IS HEREBY GIVEN that the City of San Mateo has not provided an Annual Report with respect to the above-named Obligations as required by the Continuing Disclosure Certificate, dated \_\_\_\_\_, 2021. The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated:

**CITY OF SAN MATEO**

By: \_\_\_\_\_  
Name  
Title

**APPENDIX D**

**PROPOSED FORM OF BOND COUNSEL OPINION**

## APPENDIX E

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The following description of the procedures and record keeping with respect to beneficial ownership interests in the Obligations, payment of principal, redemption premium, if any, and interest with respect to the Obligations to DTC, its Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Obligations and other related transactions by and between DTC, its Participants and the Beneficial Owners is based solely on the understanding of the Authority of such procedures and record keeping from information provided by DTC. Accordingly, no representations can be made concerning these matters and neither DTC, its Participants nor the Beneficial Owners should rely on the following information with respect to such matters but should instead confirm the same with DTC or its Participants, as the case may be. The Authority the City, the District, the Trustee, and the Underwriter understand that the current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and that the current "Procedures" of DTC to be followed in dealing with Participants are on file with DTC.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Obligations. The Obligations 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 Bond certificate will be issued for each maturity of each Series of the Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Obligations 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 the Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations 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 the Obligations 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 Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations 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.

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 the Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of the Obligations may wish to ascertain that the nominee holding the Obligations 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.

Redemption notices shall be sent to DTC, if less than all of the Obligations within a maturity are being redeemed. DTC's practice is to determine by lot the amount of the interest of each Direct Participant in each issue to be redeemed.

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

Payments of principal of, premium, if any, and interest on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest on the Obligations to Cede (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, 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.

DTC may discontinue providing its services as depository with respect to the Obligations at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The foregoing information concerning DTC and DTC's book-entry system has been provided by DTC, and neither the Authority nor the Trustee take any responsibility for the accuracy thereof.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE AUTHORITY BOND PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF OBLIGATIONS FOR REDEMPTION.

Neither the Authority nor the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Obligations paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

The Authority and the Trustee cannot and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Obligations paid to DTC or its nominee as the registered owner, or will distribute any redemption 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. Neither the Authority nor the Trustee are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Obligations or an error or delay relating thereto.