

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 31, 2016

NEW ISSUE—FULL BOOK ENTRY

RATING:
S&P: “ ”
See “RATING” herein

In the opinion of Quint & Thimmig LLP, Larkspur, California, Special Counsel, subject to compliance by the District with certain covenants, interest with respect to the Certificates is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In addition, in the opinion of Special Counsel, interest with respect to the Certificates is exempt from personal income taxation imposed by the State of California. See “TAX MATTERS” herein.

\$ _____ *

CERTIFICATES OF PARTICIPATION
(2016 Financing Project)

Evidencing the Direct, Undivided Fractional Interests of the
Owners Thereof in Installment Payments to be Made by the
MID-PENINSULA WATER DISTRICT
(San Mateo County, California)



As the Purchase Price for Certain Property
Pursuant to an Installment Sale Agreement with the
Public Property Financing Corporation of California

Dated: Date of Delivery

Due: December 1, as shown on the Inside Cover

The captioned certificates of participation (the “Certificates”) are being executed and delivered to provide funds to (a) finance the acquisition and construction of certain improvements and facilities which constitute part of the municipal water system (the “Water System”) of the Mid-Peninsula Water District (the “District”), and (b) pay costs of the financing, all as more fully described herein. See “THE PLAN OF FINANCING” herein. The Certificates will evidence the direct, undivided fractional interests of the registered owners thereof (the “Owners”) in installment payments (the “Installment Payments”) to be made by the District as the purchase price for certain property pursuant to an installment sale agreement, dated as of December 1, 2016 (the “Installment Sale Agreement”), with the Public Property Financing Corporation of California (the “Corporation”). The Corporation will assign its right to receive Installment Payments from the District under the Installment Sale Agreement and its right to enforce payment of the Installment Payments when due or otherwise protect its interest in the event of a default by the District thereunder to The Bank of New York Mellon Trust Company, N.A., San Francisco, California, as trustee (the “Trustee”), for the benefit of the registered owners of the Certificates.

The Certificates will be executed and delivered pursuant to a trust agreement, by and among the Corporation, the District and the Trustee, dated as of December 1, 2016 (the “Trust Agreement”). The Certificates will be executed and delivered in book-entry form only, and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (referred to herein as “DTC”). Purchasers of the Certificates (the “Beneficial Owners”) will not receive physical certificates representing their interest in the Certificates. Interest with respect to the Certificates accrues from their date of delivery, and is payable semiannually by check mailed on each June 1 and December 1, commencing June 1, 2017. The Certificates may be executed and delivered in denominations of \$5,000 or any integral multiple thereof. Payments of principal and interest with respect to the Certificates will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Certificates. (See “THE CERTIFICATES—Book-Entry-Only System” herein).

The Certificates are subject to redemption. See “THE CERTIFICATES—Redemption” herein.

The District is legally required under the Installment Sale Agreement to make Installment Payments from a first and prior lien on the Net Revenues of the Water System. “Net Revenues” are the gross revenues of the Water System less operating and maintenance expenses of the Water System. Installment Payments are scheduled in an amount sufficient to pay, when due, the annual principal and interest with respect to the Certificates. The District has covenanted under the Installment Sale Agreement to prescribe, revise and collect such charges from the services and facilities of the Water System which will produce gross revenues sufficient in each Fiscal Year to provide Net Revenues equal to at least 1.30 times the aggregate annual payment requirements with respect to the Installment Sale Agreement and any parity obligations in such Fiscal Year, as required by the Installment Sale Agreement. The District’s obligation to pay the Installment Payments is on a parity with any additional parity obligations incurred by the District in the future. A reserve fund will not be funded for the Certificates.

THE OBLIGATION OF THE DISTRICT TO MAKE THE INSTALLMENT PAYMENTS DESCRIBED HEREIN IS A LIMITED OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES OF THE WATER SYSTEM AND DOES NOT CONSTITUTE A DEBT OF THE DISTRICT, SAN MATEO COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

SEE THE INSIDE COVER

Bids for the purchase of the Certificates will be received by the District on November 15, 2016, *electronically only*, through the I-Deal LLC BidCOMP/PARITY® system, until 10:00 A.M., Pacific Daylight time. The Certificates will be sold pursuant to the terms of sale set forth in the Official Notice of Sale, dated October 31, 2016.

The following firm, serving as financial advisor to the District, has structured this issue:

Wulff, Hansen & Co.

Established 1931
Investment Bankers

The cover page contains certain information for general reference only. It is not a summary of all the provisions of the Certificates. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “RISK FACTORS” herein for a discussion of special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates.

The Certificates will be offered when, as and if delivered and received by the Underwriter subject to approval by Quint & Thimmig LLP, Larkspur, California, as Special Counsel. Certain matters will be passed upon for the District by Hanson Bridgett LLP, San Francisco, California, District Counsel, and by Quint & Thimmig LLP, San Francisco, California, as Disclosure Counsel. It is anticipated that the Certificates will be available for delivery through the facilities of DTC on or about December 1, 2016.

Dated: November __, 2016

*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

\$ _____ *

CERTIFICATES OF PARTICIPATION
(2016 Financing Project)
Evidencing the Direct, Undivided Fractional Interests of the
Owners Thereof in Installment Payments to be Made by the
MID-PENINSULA WATER DISTRICT
(San Mateo County, California)
As the Purchase Price for Certain Property
Pursuant to an Installment Sale Agreement with the
Public Property Financing Corporation of California

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS*

CUSIP+ Prefix: _____

<u>Maturity</u> <u>December 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP+</u> <u>Suffix</u>
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*Preliminary, subject to change.

†Copyright 2016, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, operated by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the registered owners of the Certificates. Neither the City nor the Underwriter is responsible for the selection or uses of these CUSIP numbers and no representation is made as to their correctness on the Certificates or as included herein. The CUSIP number for a specific maturity is subject to being changed after the delivery of the Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Certificates.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (“Rule 15c2-12”), this Preliminary Official Statement constitutes an “official statement” of the District with respect to the Bonds that has been deemed “final” by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

No dealer, broker, salesperson or other person has been authorized 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. 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 Certificates by a person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

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, its 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 information set forth herein has been obtained from the District 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 District since the date hereof. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the District. All summaries of the Certificates, the Acquisition Agreement, the Installment Sale Agreement, the Trust Agreement, the Assignment Agreement, or other documents, are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the General Manager for further information. See “INTRODUCTION—Other Information.”

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE CERTIFICATES TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the District’s forecasts in any way. Neither the District nor the Corporation is obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur or do not occur.

The execution, sale and delivery of the Certificates has not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

Website. The District maintains a website. Unless specifically indicated otherwise, the information presented on such website 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 Certificates.

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MID-PENINSULA WATER DISTRICT

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(650) 591-8941
(650) 591-4998 (Fax)
<https://www.midpeninsulawater.org>

DISTRICT AND CORPORATION BOARD OF DIRECTORS

Matthew P. Zucca, *President*
Dave Warden, *Vice President*
Al Stuebing, *Director*
Louis Vella, *Director*
Betty L. Linvill, *Director*

DISTRICT STAFF

Tammy Rudock, *General Manager*
Candy Piña, *Administrative Services Manager/Board Secretary*
Rene A. Ramirez, *Operations Manager*

PROFESSIONAL SERVICES

Quint & Thimmig LLP
Larkspur, California
Special Counsel and Disclosure Counsel

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

Wulff, Hansen & Co.
San Francisco, California
Municipal Advisor

OFFICIAL STATEMENT

\$ _____ *

CERTIFICATES OF PARTICIPATION

(2016 Financing Project)

**Evidencing the Direct, Undivided Fractional Interests of the
Owners Thereof in Installment Payments to be Made by the
MID-PENINSULA WATER DISTRICT
(San Mateo County, California)**

**As the Purchase Price For Certain Property Pursuant to an
Installment Sale Agreement with the
Public Property Financing Corporation of California**

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page, inside cover page, Table of Contents and Appendices (the “Official Statement”), is to provide certain information concerning the sale and delivery of Certificates of Participation (2016 Financing Project) (the “Certificates”), in aggregate principal amount of \$_____.* representing the direct, undivided fractional interests of the registered owners thereof (the “Owners”) in installment payments (the “Installment Payments”) to be made by the Mid-Peninsula Water District, California (the “District”), as the purchase price for certain portions (the “Project”) of the District’s water system (the “Water System”), pursuant to an Installment Sale Agreement, dated as of December 1, 2016 (the “Installment Sale Agreement”), by and between the Public Property Financing Corporation of California (the “Corporation”) and the District. The Certificates are being executed and delivered to (a) finance the acquisition and construction of certain improvements and facilities which constitute part of the Water System (the “Project”), and (b) pay costs of the financing, all as more fully described herein. See “THE PROJECT.”

The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2016 (the “Trust Agreement”), by and among the District, the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). Pursuant to an Assignment Agreement, dated as of December 1, 2016 between the Corporation and the Trustee (the “Assignment Agreement”), the Corporation will assign to the Trustee, for the benefit of the Owners, its rights under the Installment Sale Agreement, including (i) its right to receive Installment Payments, and (ii) its right to enforce amounts payable upon default.

Capitalized terms appearing herein and not otherwise defined have the respective meanings assigned to those terms in APPENDIX A—”SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—DEFINED TERMS.”

In general, the District is required to pay to the Trustee, from a first and prior lien on Net Revenues, Installment Payments which are designed to be sufficient in both time and amount to pay, when due, the principal and interest with respect to the Certificates. “Net Revenues” are the Gross Water

* Preliminary, subject to change.

System Revenues less Maintenance and Operation Expenses. The District has covenanted in the Installment Sale Agreement to prescribe, revise and collect such charges from the services and facilities of the Water System which will produce Gross Water System Revenues sufficient in each Fiscal Year to provide Net Revenues equal to at least 1.30 times the aggregate annual payment requirements with respect to the Installment Sale Agreement and any parity obligations in such Fiscal Year.

A Reserve Fund will not be established for the Certificates.

THE OBLIGATION OF THE DISTRICT TO MAKE INSTALLMENT PAYMENTS CONSTITUTES A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES AND DOES NOT CONSTITUTE AN OBLIGATION OF THE DISTRICT FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE DISTRICT TO MAKE INSTALLMENT PAYMENTS DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The District

The Mid-Peninsula Water District is a Special District formed in 1929 under the County Water District Act of California. The District was incorporated in 1929 and is located in east central San Mateo County on the San Francisco Peninsula, about 30 miles south of San Francisco, in California.

The District supplies water to consumers in an area slightly larger than the city limits of the City of Belmont. Small portions of the service area are within the city limits of the City of San Carlos, and parts of the unincorporated County of San Mateo. The District's service territory covers approximately five (5) square miles and currently serves approximately 27,000 people.

For further information concerning the District, see "THE MID-PENINSULA WATER DISTRICT" "WATER SYSTEM," and "DISTRICT FINANCIAL MATTERS" below.

District Finances

The District's fiscal year 2015-16 revenues totaled approximately \$ _____. Water sales are the primary source of revenue for the District and, in general, account for approximately 99% of District revenues.

The District has the power and authority to establish charges for service without the review or approval of any other governmental body. The District's rates and charges are established by ordinance of the District's Board of Directors. The District can refuse or terminate service to delinquent customers and can require full payment of delinquent amounts and reconnection charges to resume service. Unpaid charges may become a lien on real property by recordation of a notice thereof.

For further information concerning District finances, see "DISTRICT FINANCIAL MATTERS."

Continuing Disclosure

The District has covenanted, for the benefit of the owners and beneficial owners of the Bonds, to provide certain financial information and operating data relating to the Wastewater System by not later than nine months following the end of each Fiscal Year (currently June 30), and to provide notices of the occurrence of certain enumerated events. See “CONTINUING DISCLOSURE” and APPENDIX C—PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of Certificates are anticipated to be applied as follows:

SOURCES:	
Par Amount of Certificates	
Plus: Net Original Issue Premium	
Total Sources of Funds	_____
USES:	
Deposit to Project Fund	
Deposit to Delivery Costs Fund (3)	
Total Uses of Funds	_____

(1) Amounts deposited in the Delivery Costs Fund will be applied to the payment of all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the financing, including but not limited to the Underwriter’s discount, initial fees and charges and first year’s administration fee of the Trustee, Trustee’s counsel fees and expenses, legal fees and charges, financial and other professional consultant fees.

THE PROJECT

The Certificates are being executed and delivered to (a) finance the Project, and (b) pay the costs of the transaction.

THE CERTIFICATES

General Provisions

The Certificates will be dated as of their date of delivery, will be entitled to the interest portion of the Installment Payments at the rates per annum set forth on the inside cover page hereof, payable semiannually on each June 1 and December 1, commencing June 1, 2017 (each, an “Interest Payment

Date”), and will be payable on December 1 in each year of the designated years set forth on the inside cover page hereof.

The Certificates will be executed and delivered in fully registered form without coupons, in the denomination of \$5,000 each or any integral multiple thereof. Principal of the Certificates will be payable upon surrender at the principal corporate trust office of the Trustee in San Francisco, California. Interest with respect to the Certificates will be payable by check or draft mailed by first class mail to the Owners at the addresses listed on the registration books maintained by the Trustee for such purpose or, upon written request of an owner of at least \$1,000,000 in aggregate principal amount of the Certificates, by wire transfer to an account in the continental United States of America at said Owner’s sole cost and expense.

The Certificates, when delivered, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company (“DTC,” together with any successor securities depository, the “Securities Depository”). DTC will act as Securities Depository for the Certificates so purchased. Individual purchases will be made in book-entry-only form. Purchasers will not receive a certificate representing their beneficial ownership interest in Certificates. So long as Cede & Co. is the registered owner of the Certificates, as nominee of DTC, references herein to the Owners, holders or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the “Beneficial Owners” of the Certificates. In this Official Statement, the term “Beneficial Owner” shall mean the person for whom a Participant (as defined herein) acquires an interest in the Certificates. See APPENDIX E—BOOK-ENTRY ONLY SYSTEM.

So long as Cede & Co. is the registered owner of the Certificates, principal of, premium (if any) and interest on the Certificates are payable by wire transfer of same-day funds by the Trustee to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants for subsequent disbursement to the Beneficial Owners. See APPENDIX E—BOOK-ENTRY ONLY SYSTEM.

In the event the use of the book-entry-only system is discontinued, principal of the Certificates will be payable upon surrender thereof at the principal corporate trust office of the Trustee in San Francisco, California. Interest payable on the Certificates will be paid by check mailed on the Interest Payment Date to the person in whose name each Certificate is registered in the registration books maintained by the Trustee as of the applicable Record Date for such Interest Payment Date; provided that registered owners of \$1,000,000 or more in aggregate principal amount of Certificates may request payment by wire transfer, such request to be submitted in writing to the Trustee on or before the applicable Record Date for such Interest Payment Date in accordance with the provisions set forth in the Trust Agreement.

Optional Redemption

The Certificates maturing on or before December 1, _____, are not subject to optional redemption prior the respective stated maturities. The Certificates maturing on or after December 1, _____, are subject to optional redemption in whole or in part on any date on or after December 1, _____, from the proceeds of optional Prepayments made by the District pursuant to the Installment Sale Agreement, without premium.

Extraordinary Mandatory Redemption

The Certificates are subject to redemption in whole or in part on any date from the Net Proceeds of any insurance or condemnation award deposited in the Installment Payment Fund and credited towards the Prepayment made by the District pursuant to the Installment Sale Agreement, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption

The Certificates maturing on December 1, _____, are subject to mandatory redemption in part on December 1, _____, and on each July 1 thereafter to and including December 1, _____, from the principal components of scheduled Installment Payments required to be paid by the District pursuant to the Installment Sale Agreement with respect to each such redemption date (subject to abatement, as set forth in the Installment Sale Agreement), at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

<u>Year (December 1)</u>	<u>Principal Amount of Certificates to be Redeemed</u>
------------------------------	--

†Maturity.

The Certificates maturing on December 1, _____, are subject to mandatory redemption in part on December 1, _____, and on each July 1 thereafter to and including December 1, _____, from the principal components of scheduled Installment Payments required to be paid by the District pursuant to the Installment Sale Agreement with respect to each such redemption date (subject to abatement, as set forth in the Installment Sale Agreement), at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

<u>Year (December 1)</u>	<u>Principal Amount of Certificates to be Redeemed</u>
------------------------------	--

†Maturity.

In the event the Trustee shall redeem Certificates in part but not in whole pursuant to the optional or extraordinary mandatory redemption provisions (from insurance or condemnation proceeds), the amount of the Certificates, maturing on December 1, _____, and December 1, _____, to be redeemed shall be reduced pro rata to correspond to the principal components of the Installment Payments prevailing following either such redemption.

Selection of Certificates for Redemption

Whenever provision is made in the Trust Agreement for the redemption of Certificates and less than all Outstanding Certificates are called for redemption, the Trustee shall select Certificates for

redemption in any order of maturity as selected in writing by the District (and if not selected by the District, on a pro rata basis) and by lot within a maturity. The Trustee shall promptly notify the District and the Corporation in writing of the Certificates so selected for redemption.

Notice of Redemption

Notice of any such redemption shall be given by the Trustee on behalf and at the expense of the District by mailing a copy of a redemption notice by first class mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to such Owner of the Certificate or Certificates to be redeemed at the address shown on the Certificate Register maintained by the Trustee; *provided, however,* that neither the failure to receive such notice nor any defect in any notice shall affect the sufficiency of the proceedings for the redemption of the Certificates.

All notices of redemption shall be dated and shall state: (i) the redemption date, (ii) the redemption price, (iii) if less than all Outstanding Certificates are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Certificates to be redeemed and a statement that such redemption shall be conditioned on the timely delivery by or on behalf of the District to the Trustee of the funds required for such redemption, (iv) that on the redemption date the redemption price will become due and payable with respect to each such Certificate or portion thereof called for redemption, and that interest with respect thereto shall cease to accrue from and after said date, (v) the place where such Certificates are to be surrendered for payment of the redemption price, which place of payment shall be the Principal Corporate Trust Office.

Prior to the mailing of any redemption notice (other than a redemption notice relating to Certificates that are the subject of an advance refunding), the District shall deposit, or cause to be deposited, with the Trustee an amount of money sufficient to pay the redemption price of all the Certificates or portions of Certificates which are to be redeemed on the applicable redemption date. In the case of a redemption notice relating to Certificates that are the subject of an advance refunding, the District shall deposit, or cause to be deposited, with the Trustee on or prior to the redemption date, an amount of money sufficient to pay the redemption price of all the Certificates or portions of Certificates which are to be redeemed on such redemption date.

Notice of redemption having been given as aforesaid, the Certificates or portions of Certificates so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the District shall default in the payment of the redemption price) interest with respect to such Certificates or portions of Certificates shall cease to be payable. Upon surrender of such Certificates for redemption in accordance with said notice, such Certificates shall be paid by the Trustee at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Certificate, there shall be executed and delivered for the Owner a new Certificate or Certificates of the same maturity in the amount of the unredeemed principal. All Certificates which have been redeemed shall be canceled by the Trustee, shall not be reissued and shall be destroyed pursuant to the Trust Agreement.

In addition to the foregoing notice, notice shall be given by the Trustee by telecopy, registered, certified or overnight mail, to all Securities Depositories one Business Day prior to the date of mailing of notice to the Owners and to an Information Service on the date such notice is mailed to the Owners, which shall state the information set forth above, but no defect in said notice nor any failure to give all or

any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

Neither the District nor the Trustee shall have any responsibility for a defect in the CUSIP number that appears on any Certificate or in the redemption notice. The redemption notice may provide that the CUSIP numbers have been assigned by an independent service and are included in the notice solely for the convenience of Certificate Owners and that the Trustee and the District shall not be liable in any way for inaccuracies in said numbers.

Upon surrender of any Certificate redeemed in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the District, a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Certificate surrendered and of the same interest rate and the same maturity.

Notice having been given as aforesaid, and the moneys for the redemption, including interest to the applicable Interest Payment Date and premium, if any, having been set aside in the Installment Payment Fund, the Certificates to be redeemed shall become due and payable on said Interest Payment Date, and, upon presentation and surrender thereof at the office or offices specified in said notice, said Certificates shall be paid at the unpaid principal amount with respect thereto, plus redemption premium, if any, and any unpaid and accrued interest to said Interest Payment Date.

If, on said Interest Payment Date, moneys for the redemption of all the Certificates to be redeemed, together with interest to said Interest Payment Date, shall be held by the Trustee so as to be available therefor on such Interest Payment Date, and, if notice of redemption thereof shall have been given as aforesaid, then, from and after said Interest Payment Date, interest with respect to the Certificates to be redeemed shall cease to accrue and become payable. If said moneys shall not be so available on said Interest Payment Date, interest with respect to such Certificates shall continue to be payable at the same rates as it would have been payable had the Certificates not been called for redemption. All moneys held by or on behalf of the Trustee for the redemption of particular Certificates shall be held in trust for the account of the Owners of the Certificates so to be redeemed. The Trustee shall not be liable for any interest earned on the amounts so held.

Book-Entry Only System

The Certificates will be initially executed, delivered and registered as one fully registered certificate for each maturity, without coupons, in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Certificates. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive physical certificates representing their interest in the Certificates purchased. Principal and interest will be paid to DTC which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Certificates as described herein. So long as DTC's book-entry system is in effect with respect to the Certificates, notices to Owners of the Certificates by the District or the Trustee will be sent to DTC. Notices and communication by DTC to its participants, and then to the beneficial owners of the Certificates, will be governed by arrangements among them, subject to then effective statutory or regulatory requirements. See APPENDIX E—BOOK-ENTRY ONLY SYSTEM.

In the event that such book-entry system is discontinued with respect to the Certificates, the District will cause the Trustee to execute and deliver replacements in the form of registered certificates

and, thereafter, the Certificates will be transferable and exchangeable on the terms and conditions provided in the Trust Agreement. In addition, the following provisions would then apply: Payment of interest due with respect to any Certificate on any Interest Payment Date will be made to the person appearing on the Registration Books as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at his or her address as it appears on the Registration Books as of such Regular Record Date or, upon written request filed with the Trustee prior to the Regular Record Date by an Owner of at least \$1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by such Owner in such written request. Any such written request will remain in effect until rescinded in writing by the Owner. The principal and redemption price with respect to the Certificates at maturity or upon prior redemption shall be payable by check denominated in lawful money of the United States of America upon surrender of the Certificates at the Principal Corporate Trust Office.

SOURCE OF PAYMENT FOR THE CERTIFICATES

General

Each Certificate represents a direct, undivided fractional interest in Installment Payments to be made by the District to the Corporation under the Installment Sale Agreement. The Corporation, pursuant to the Assignment Agreement, will assign certain of its rights under the Installment Sale Agreement to the Trustee for the benefit of the Owners, including its right to receive Installment Payments and prepayments made under the Installment Sale Agreement and its rights to enforce payment of the Installment Payments when due in the event of a default by the District. The obligation of the District to make Installment Payments constitutes a special obligation of the District payable solely from a first and prior lien on the Net Revenues, certain net proceeds of insurance or condemnation proceedings pertaining to the Project to the extent that such net proceeds are not used for the repair, reconstruction or replacement of the Project pursuant to the Installment Sale Agreement, and certain interest and other income derived from the investment of moneys held in funds and accounts held by the Trustee for the District pursuant to the Trust Agreement.

No Reserve Fund

A reserve fund will not be established for the Certificates.

Special Obligation of the District

The District's obligation to pay the Installment Payments shall be a special obligation limited solely to Net Revenues. Under no circumstances shall the District be required to advance any moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Installment Payments, nor shall any other funds or property of the District be liable for the payment of the Installment Payments.

“*Net Revenues*” means Gross Water System Revenues less Operation and Maintenance Expenses.

“*Gross Water System Revenues*” means all gross income and revenue received by the District from the ownership and operation of the Water System, including, without limiting the generality of the

foregoing, (a) all income, rents, rates, fees, charges or other moneys derived from the services, facilities and commodities sold, furnished or supplied through the facilities of the Water System, (b) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or pursuant to the law to the Water System, (c) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Water System as permitted in the Installment Sale Agreement, and (d) all investment earnings credited by the Trustee under the Trust Agreement to the Installment Payment Fund; *provided, however*, that the term “Gross Water System Revenues” shall not include customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District.

“*Maintenance and Operation Costs of the Water System*” means, for any period, all reasonable and necessary costs paid or incurred by the District during such period for maintaining and operating the Water System and delivering or providing Water Service thereunder, determined in accordance with generally accepted accounting principles, including all costs of water produced or purchased by the District for resale through the Water System, and including all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the Water System in good repair and working order, and including all administrative costs of the District that are charged directly or apportioned to the operation of the Water System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and including all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms of the Installment Sale Agreement, the Trust Agreement or of any resolution authorizing the execution of any Installment Purchase Contract or of any such Installment Purchase Contract or of any resolution authorizing the issuance of any Bonds or of any such Bonds, such as compensation, reimbursement and indemnification of the trustee, seller or lessor for any such Installment Purchase Contracts or Bonds and the fees of any Independent Certified Public Accountants or Independent Engineers, but excluding in all cases, depreciation, replacement and obsolescence charges or reserve therefor and amortization of intangibles.

The obligations of the District to make the Installment Payments from Net Revenues and to perform and observe the other agreements contained in the Installment sale Agreement shall be absolute and unconditional and shall not be subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach of the District, the Corporation or the Trustee of any obligation to the District or otherwise with respect to the Water System, whether under the Installment Sale Agreement or otherwise, or out of indebtedness or liability at any time owing to the District by the Corporation or the Trustee. Until such time as all of the Installment Payments shall have been fully paid or prepaid, the District (a) will not suspend, abate, or discontinue any payments provided for in the Installment Sale Agreement, (b) will perform and observe all other agreements contained in the Installment Sale Agreement, and (c) will not terminate the Term of the Installment Sale Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Water System, the taking by eminent domain of title to or temporary use of any or all of the Water System, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either thereof or any failure of the Corporation or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Trust Agreement, the Assignment Agreement or the Installment Sale Agreement.

Nothing shall be construed to release the Corporation from the performance of any of the agreements on its part contained in the Installment Sale Agreement, and in the event the Corporation

shall fail to perform any such agreements on its part, the District may institute such action against the Corporation as the District may deem necessary to compel performance so long as such action does not abrogate the obligations of the District contained in the first sentence of the preceding paragraph. The District may, however, at the District's own cost and expense and in the District's own name or in the name of the Corporation prosecute or defend any action or proceeding or take any other action involving third persons which the District deems reasonably necessary in order to secure or protect the District's right of possession, occupancy and use hereunder, and in such event the Corporation has agreed to cooperate fully with the District and to take such action necessary to effect the substitution of the District for the Corporation in such action or proceeding if the District shall so request.

Pledge of Net Revenues; Deposits to Pay Installment Payments; Release from Lien

Pledge of Net Revenues. The District has agreed that the payment of the Installment Payments shall be secured by a pledge, charge and first and prior lien upon Net Revenues, and Net Revenues sufficient to pay the Installment Payments as they become due and payable, are pledged, charged, assigned, transferred and set over by the District to the Corporation and its assigns for the purpose of securing payment of the Installment Payments. The Net Revenues shall constitute a trust fund for the security and payment of the Installment Payments.

Transfer to Pay Installment Payments. In order to provide for the payment of Installment Payments when due, the District shall, on or before each Installment Payment Date, transfer to the Trustee for deposit into the Installment Payment Fund the amount required for the next occurring Installment Payment Date. The District shall be obligated to make Installment Payments sufficient to pay all principal and interest due with respect to the Certificates.

Release from Lien. Following the transfer described above with respect to the June 15 Installment Payment Date, Net Revenues in excess of amounts required for the payment of Installment Payments and any Parity Debt and for the replenishment of the Reserve Fund, in that Fiscal Year shall be released from the lien of the Installment Sale Agreement and shall be available for any lawful purpose of the District.

Rate Covenant

Subject to the requirements and limitations of Proposition 218, the District covenants that it shall prescribe, revise and collect such charges for the services and facilities of the Water System which, after allowances for contingencies and error in the estimates, shall produce Water System Revenues sufficient in each Fiscal Year to provide Net Revenues equal to 1.30 times (i) the Installment Payments coming due and payable during such Fiscal Year, and (ii) all payments required to pay debt service on Parity Debt coming due and payable during such Fiscal Year. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 218" below.

Limitations on Future Obligations Secured by Net Revenues

No Obligations Superior to Installment Payments. In order to protect further the availability of the Net Revenues and the security for the Installment Payments and any Parity Debt, the District hereby agrees that the District shall not, so long as any Certificates are outstanding, issue or incur any obligations payable from Water System Revenues or Net Revenues superior to the Installment Payments or such Parity Debt.

Parity Debt. The District covenants that, except for obligations issued or incurred to prepay the Installment Payments in full pursuant to the Installment Sale Agreement, the District shall not issue or incur any Parity Debt unless:

(i) The District is not in default under the terms of the Installment Sale Agreement;

(ii) The Net Revenues for the most recent audited Fiscal Year preceding the date of the adoption by the Board of Directors of the District of the resolution authorizing the incurrence of such Parity Debt, as evidenced by both a calculation prepared by the District and the special report prepared by an Independent Certified Public Accountant on such calculation on file with the District, shall have produced a sum equal to at least one hundred thirty per cent (130%) of the Debt Service for such Fiscal Year, and

(iii) The estimated Net Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest date of operation of any uncompleted Project, as evidenced by an Engineer's Report on file with the District, plus (after giving effect to the completion of all uncompleted Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the rates, fees and charges estimated to be fixed and prescribed for the Water Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by such Engineer's Report on file with the District, shall produce a sum equal to at least one hundred thirty per cent (130%) of the estimated Debt Service for each of such Fiscal Years, after giving effect, in either case, to the execution of all Parity Debt estimated to be required to be executed or issued to pay the costs of completing all uncompleted Projects, assuming that all such Parity Debt have maturities, interest rates and proportionate principal repayment provisions similar to the Parity Debt that were first issued for the purpose of acquiring and constructing such uncompleted Project.

Either or both of the following items may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (iii):

(A) An allowance for revenues from any additions to or improvements or extensions of the Water System to be constructed with the proceeds of such additional obligations, and also for net revenues from any such additions, improvements or extensions which have been from moneys from any source but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 70% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following closing of the proposed Parity Debt, all as shown by the certificate or opinion of a qualified independent consultant employed by the District, may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (iii).

(B) An allowance for earnings arising from any increase in the charges made for service from the Water System which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year, was not in effect, in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such

Fiscal Year and any period prior to the incurring of such additional obligations, as shown by the certificate or opinion of a qualified independent engineer employed by the District.

(iv) Interest with respect to such Parity Debt shall be paid on the Interest Payment Dates.

(v) Principal with respect to such Parity Debt shall be paid on December 1.

The District shall deliver to the Trustee a Certificate of the District certifying that the conditions precedent to the issuance of such Parity Debt have been satisfied.

Subordinate Debt. The District covenants that it shall not issue or incur any Subordinate Debt unless:

(i) The District is not in default under the terms of the Installment Sale Agreement;

(ii) Net Revenues, calculated on sound accounting principles, as shown by the books of the District for the latest Fiscal Year or any more recent twelve (12) month period selected by the District ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which instrument such Subordinate Debt is issued or incurred, plus, at the option of the District, the additional allowance described below, shall have amounted to at least 1.0 times the maximum Debt Service coming due and payable in any future Fiscal Year;

Either or both of the following items may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (ii):

(A) An allowance for revenues from any additions to or improvements or extensions of the Water System to be constructed with the proceeds of such additional obligations, and also for net revenues from any such additions, improvements or extensions which have been from moneys from any source but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 70% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following closing of the proposed Parity Debt, all as shown by the certificate or opinion of a qualified independent consultant employed by the District, may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (ii).

(B) An allowance for earnings arising from any increase in the charges made for service from the Water System which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year, was not in effect, in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year and any period prior to the incurring of such additional obligations, as shown by the certificate or opinion of a qualified independent engineer employed by the District.

(iii) Interest with respect to such Subordinate Debt shall be paid on the Interest Payment Dates; and

(iv) Principal with respect to such Subordinate Debt shall be paid on December 1.

The District shall deliver to the Trustee a Certificate of the District certifying that the conditions precedent to the issuance of such Subordinate Debt have been satisfied.

State Loans. The District may borrow money from the State to finance improvements to the Water System, without complying with the provisions of paragraphs (iv) or (v) above, relating to the issuance of Parity Debt, and the obligation of the District to make payments to the State under the loan agreement memorializing said loan (the "State Loan") may be treated as Parity Debt for purposes of the Installment Sale Agreement; provided that the District shall not make a payment on such State Loan (except as hereinafter expressly provided) to the extent it would have the effect of causing the District to fail to pay Installment Payments on a timely basis. In the event the Water System does not produce sufficient funds to make the full Installment Payments and such State Loan, the District shall make Installment Payments and such State Loan on a pro rata basis.

Additional Payments

In addition to the Installment Payments, the District shall pay, from Net Revenues, when due, all costs and expenses incurred by the Corporation to comply with the provisions of the Trust Agreement and the Installment Sale Agreement, including, without limitation all Delivery Costs (to the extent not paid from amounts on deposit in the Delivery Costs Fund), compensation due to the Trustee for its fees, costs and expenses incurred under the Trust Agreement and the Assignment Agreement, compensation due to the Corporation for its fees, costs and expenses incurred under the Trust Agreement and all costs and expenses of attorneys, auditors, engineers and accountants.

Installment Payments

Installment Payments are required to be made by the District under the Installment Sale Agreement on the fifteenth (15th) day of each May and November (each a “Due Date”). The Trust Agreement requires that Installment Payments be deposited in the Installment Payment Fund maintained by the Trustee. Pursuant to the Trust Agreement, the Trustee will apply such amounts in the Installment Payment Fund as are necessary to make principal and interest payments due with respect to the Certificates on January 1 and July 1 of each year. The following table shows the debt service requirements of the Certificates:

<u>Year Ending December 1</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total</u>
---------------------------------------	--------------------------------	-------------------------------	--------------

TOTAL	<u> </u>	<u> </u>	<u> </u>
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Flow of Funds

Pursuant to the terms of the Installment Sale Agreement, on the fifteenth day of each June and December, the District is legally required to make Installment Payments to the Trustee from Net Revenues, designed to be equal to the amount necessary for the Trustee to pay the principal and interest

with respect to the Certificates due and payable on each June 1 and December 1. Pursuant to the terms of the Trust Agreement, (i) all Installment Payments received by the Trustee from the District, (ii) certain net proceeds awarded in insurance or eminent domain proceedings to the extent not used to repair or replace the Project, and (iii) any other moneys required to be deposited pursuant to the Installment Sale Agreement or the Trust Agreement, shall be deposited in the Installment Payment Fund, except to the extent required to be deposited in the Reserve Fund to remedy a deficiency therein resulting from a prior draw.

The Trustee shall promptly distribute, on each June 1 and December 1, the moneys on deposit in the Installment Payment Fund to the Owners in payment of principal and interest then due with respect to the Certificates.

If on any May 15 or November 15, the amount of the Installment Payments then due and unpaid exceeds the amount on hand in the Installment Payment Fund, the Trustee will transfer the necessary amount from the Reserve Fund, and in the event a deficiency remains in the Installment Payment Fund, the Trustee shall apply amounts transferred from the Reserve Fund, together with all other moneys on hand in the Installment Payment Fund first to the payment of interest past due with respect to all outstanding Certificates, pro rata if necessary, and second to the payment of the unpaid principal balance with respect to each Certificate which is then past due, pro rata if necessary.

Any surplus remaining in the Installment Payment Fund after redemption and payment of all Certificates, including accrued interest, if any, and payment of any applicable fees to the Trustee, or provision for such redemption or payment having been made to the satisfaction of the Trustee, shall then be remitted to the District.

Limitations on Remedies Available to Owners of the Certificates and the Trustee

The enforceability of the rights and remedies of the Owners of the Certificates and the Trustee, and the obligations incurred by the District, may be subject to the following: the Federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitations, or modification of their rights. Remedies may be limited since the Project serves an essential public purpose.

THE MID-PENINSULA WATER DISTRICT

General

The District is a special district formed in 1929 under the County Water District Act of California. The District was incorporated in 1929 and is located in east central San Mateo County on the San Francisco Peninsula, about 30 miles south of San Francisco, in California.

In the 1930s the District contracted with the San Francisco Public Utilities Commission (“SFPUC”) to purchase water from the newly built Hetch Hetchy regional water system, eliminating local dependence on small, unreliable wells and gaining a more secure, reliable and expandable source of water supply.

District Location and Service Area



Source: Mid-Peninsula Water District

The District supplies water to consumers in an area slightly larger than the city limits of the City of Belmont. Small portions of the service area are within the city limits of the City of San Carlos, and parts of the unincorporated County of San Mateo. The District’s service territory covers approximately five (5) square miles and currently serves approximately 27,000 people.

Governance

A five-member Board of Directors (the “District Board”) governs the District. Each Director is elected at large within the District’s service area. The Directors serve overlapping four-year terms. The District Board annually selects a President and Vice President from among its members. The current Directors are:

Matthew P. Zucca, President. Mr. Zucca was first appointed to the District Board in October 2005. For more than 20 years, Mr. Zucca has been a professional engineer in the Bay Area specializing in capital

program management and a wide range of stormwater projects in California. Currently he is Principal Engineer with Erler & Kalinowski, Inc., (EKI) Consulting Engineers and Scientists. Mr. Zucca resides in Belmont. Mr. Zucca has a B.S. in Civil and Environmental Engineering, University of California, Davis, 1993 (Dual Specialization in Structural and Environmental Engineering).

Dave Warden, Vice President. Mr. Warden was first elected to the District Board in November 2013. Mr. Warden's career in software engineering and management has spanned some 30 years in the Bay Area. He founded a part-time software consulting firm in 1985 and launched it into a fulltime business in 1995 developing software for consumer electronics, robotics, test equipment, lasers, and medical equipment. Mr. Warden resides in Belmont. Mr. Warden has a B.A. in Computer Science, University of California, Berkeley, 1985.

Al Stuebing. Mr. Stuebing was first elected to the District Board in November 2009. Mr. Stuebing held the position of Director of Account Services when he retired after a 30-year career with the Pacific Gas and Electric Company. Mr. Stuebing resides in Belmont. Mr. Stuebing has a B.S. in Mechanical Engineering, University of California, Berkeley, 1975.

Louis J. Vella. Mr. Vella was first elected to the Board in November 1999. Mr. Vella has over 40 years of professional work experience both in the private and public sector. He retired as Administrative Chief-Fire Marshal in 2008 after serving 28 years with the City of Redwood City. Mr. Vella was appointed by the District to the Board of Directors of the Bay Area Water Supply and Conservation Agency ("BAWSCA") and has served since it was established in 2003. He also serves as a member of the BAWSCA Board Policy Committee. Mr. Vella resides in Belmont. Mr. Vella has a B.A. in Management, St. Mary's College, Moraga, 1988.

Betty L. Linvill. Ms. Linvill was first appointed to the District Board in July 2007. Ms. Linvill had a long career in commercial finance, working primarily for major California banking institutions. She retired at the end of March 2014 as Deputy Chief Credit Officer for East West Bank. Ms. Linvill resides in Belmont. Ms. Linvill has a MBA (Business), Alliant International University, 1989. Graduate, Commercial Banking, Pacific Coast Banking School at the University of Washington, 1979.

All of the Directors are locally active in the community and serve on Boards and as volunteers for numerous civic and non-profit organizations.

Management

The District Board appoints a General Manager, Board Secretary, District Counsel, District Engineer, and District Treasurer. The General Manager oversees the day-to-day operations and activities of the District and reports to the Board. The current District management and officers are:

Tammy Rudock, General Manager. Ms. Rudock joined the District as a contract manager in September 2012. She was appointed by the District Board as General Manager in December 2012. Ms. Rudock is responsible for managing the day-to-day operations and activities of the District. Her professional career spans 25 years dedicated to public service, including water and wastewater operations, public works operations, airports administration, and parks and recreation operations, including open space preservation, in California and Louisiana. Ms. Rudock has a J.D., Concord Law School, Los Angeles, 2005. MBA (Management Specialty), Louisiana Tech University, 1993. B.A. in General Studies (Major in Business Administration), Louisiana Tech University 1990.

Candy Pina, Administrative Services Manager/Board Secretary. Mrs. Pina joined the District as a contract manager in June 2012. She was appointed by the General Manager as Administrative Services Manager in December 2012. Mrs. Pina has worked for more than 30 years in the Bay Area primarily as a financial controller for private companies and start-ups. She is responsible for the District's financial, accounting, customer service, and human resources functions. Mrs. Pina has a B.S. in Accounting, San Jose State University, 1995.

Rene Ramirez, Operations Manager. Mr. Ramirez was appointed by the General Manager as Operations Manager in June 2015. He has almost 30 years of service in the public utility field. During his career, Mr. Ramirez has been responsible as the department head in cities large and small for water distribution infrastructure and water treatment facilities, wastewater collection infrastructure and wastewater treatment facilities, solid waste and diversion programs, and a natural gas distribution system. Mr. Ramirez has a B.S. in Agricultural/Bio Resource Engineering, Cal Poly, San Luis Obispo, 1984.

Employees

The District's staff consists of 18 full-time employees all of whom are at-will. A letter agreement dated October 23, 2014, exists between the District and the District Employees Association (15 members; non-exempt employees). It expires on September 25, 2018.

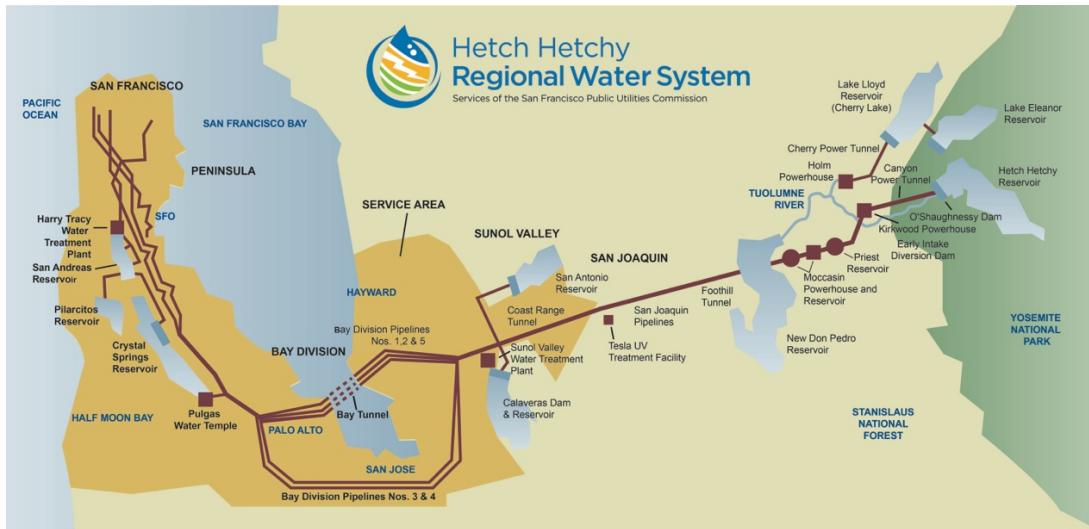
WATER SYSTEM

Water Rights

District Water Supply. The District purchases 100% of its water from the SFPUC Regional Water System ("SFPUC RWS"), making the District dependent on SFPUC's supply reliability. The SFPUC RWS is predominantly from the Sierra Nevada, delivered through the Hetch Hetchy aqueducts, but it also includes treated water produced by the SFPUC from its local watersheds and facilities in Alameda and San Mateo Counties.

The SFPUC RWS is a 167-mile, gravity-driven network of dams, reservoirs, tunnels, pump stations, aqueducts, and pipelines that collects Tuolumne River runoff on federal land near the Yosemite Valley and transports it to the San Francisco Bay Area.

SFPUC REGIONAL WATER SYSTEM MAP

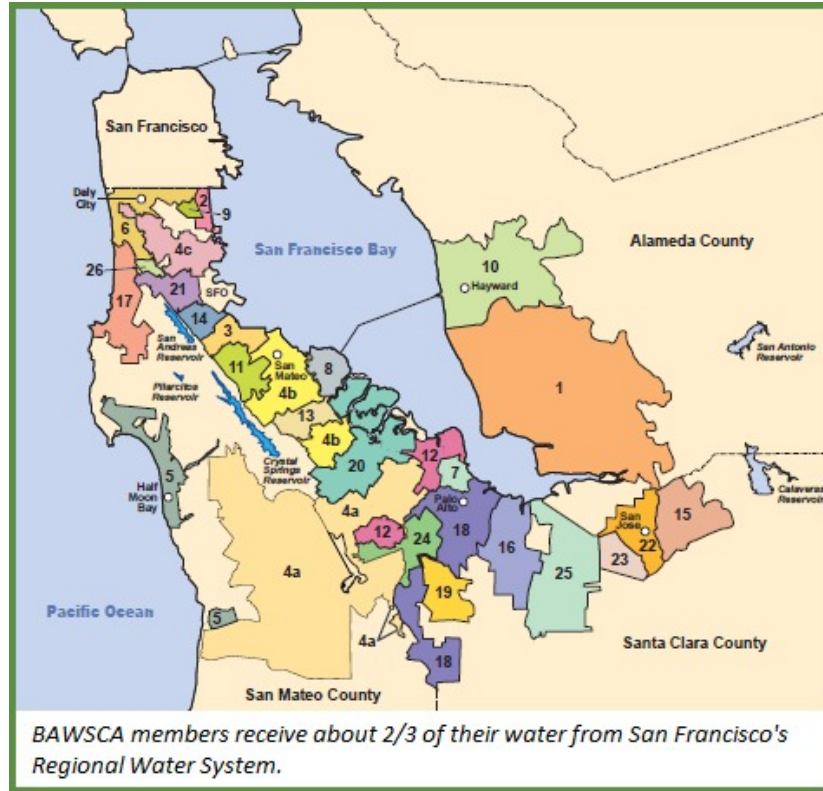


Source: SFPUC

Water from the SFPUC RWS is treated before delivery and supplied to the District from two connections: Bay Division Pipelines 1 and 2, and the Crystal Springs Bypass Tunnel. The SFPUC water is delivered to the District in two ways: 1) via a 20-inch water transmission pipeline that is connected to the SFPUC system in Redwood City; and 2) via a 24-inch pipeline connected to a pump station on the SFPUC watershed property near the Pulgas Water Temple.

Regional Water Reliability Planning. The District is a member of the Bay Area Water Supply and Conservation Agency (“BAWSCA”) that provides regional water reliability planning and conservation programming for the benefit of its member agencies that purchase wholesale water supplies from the SFPUC. BAWSCA was created on May 27, 2003, enabled by a special act of the California Legislature, to represent the interests of 16 cities, 8 water districts, and 2 private water providers on all significant technical, financial, and policy matters related to the operation and improvement of the SFPUC RWS. BAWSCA members are located in Alameda, Santa Clara, and San Mateo Counties.

BAWSCA MEMBER AGENCIES MAP



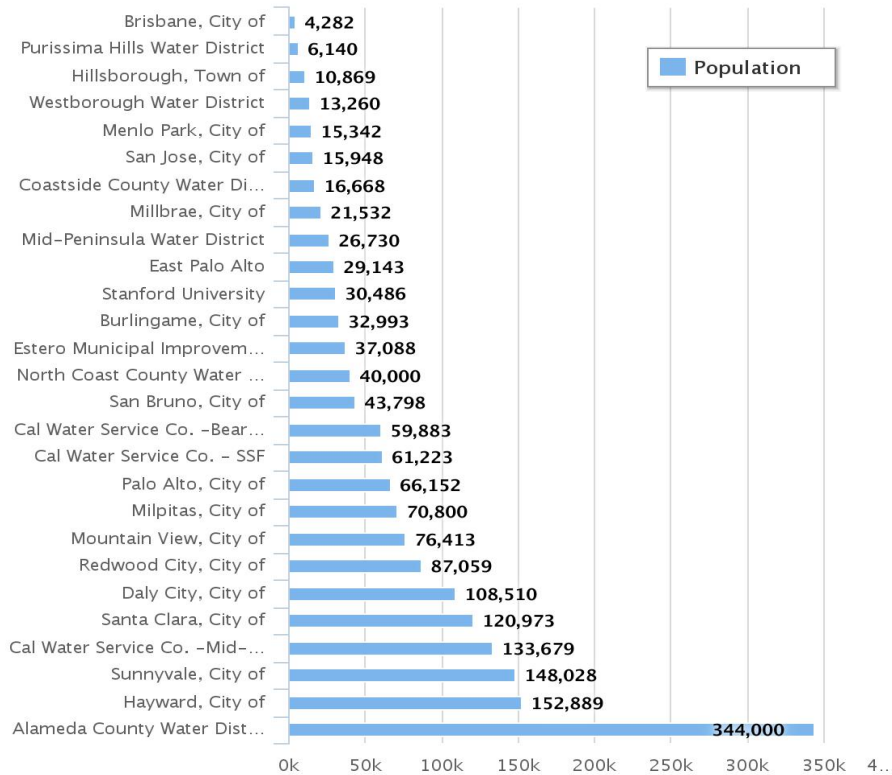
Source: BAWSCA

Note: The District is the highlighted area #13 in the above BAWSCA map.

Collectively, the BAWSCA member agencies deliver water to over 1.74 million residents and nearly 40,000 commercial, industrial, and institutional accounts in the Bay Area.

Member Agency Population

Source: 2014–2015 BAWSCA Annual Survey



Source: BAWSCA

The District’s Individual Supply Guarantee. The SFPUC has a perpetual commitment (Supply Assurance) to deliver 184 mgd to the permanent wholesale customers (collectively the BAWSCA member agencies referred to as the “wholesale customers”). The Supply Assurance is allocated among the 24 permanent wholesale customer through Individual Supply Guarantees (“ISGs”), which represent each wholesale customer’s allocation of the 184 mgd Supply Assurance. The District’s ISG allocation from the SFPUC is 3.891 mgd (1,420.22 MG per year).

2018 Interim Supply Limitation. On December 14, 2010, the SFPUC adopted a water supply limitation, the Interim Supply Limitation (“ISL”), which limits sales from the SFPUC RWS watersheds to an average annual of 265 mgd through December 31, 2018. All 26 wholesale customers and San Francisco are subject to the ISL. The wholesale customers’ collective allocation under the ISL is 184 mgd and San Francisco’s is 81 mgd. Although the wholesale customers did not agree to the ISL, the Water Supply Agreement provides a framework for administering the ISL. Each BAWSCA member agency’s ISL is lower than its perpetual commitment (Supply Assurance) from the SFPUC through December 31, 2018. The District’s ISL is 3.71 mgd (1,354.15 MG per year) compared with its Supply Assurance from the SFPUC of 3.891 mgd (1,420.22 MG per year).

Water System Facilities

The District operates and maintains a complex distribution system that includes: 9 pressure zones, 20 pumps, 13 water regulating valves, 813 fire hydrants, and 11 water storage tanks ranging in size from 110,000 gallons to 2,300,000 gallons, all made of steel, for an overall storage capacity of 13,600,000 gallons.

Most of the storage tanks within the District have been rebuilt, recoated, or seismically retrofitted within the past 15 years with the exceptions of Dekoven and Hallmark Tanks. A list of all the District's storage tanks and their respective capacities is below.

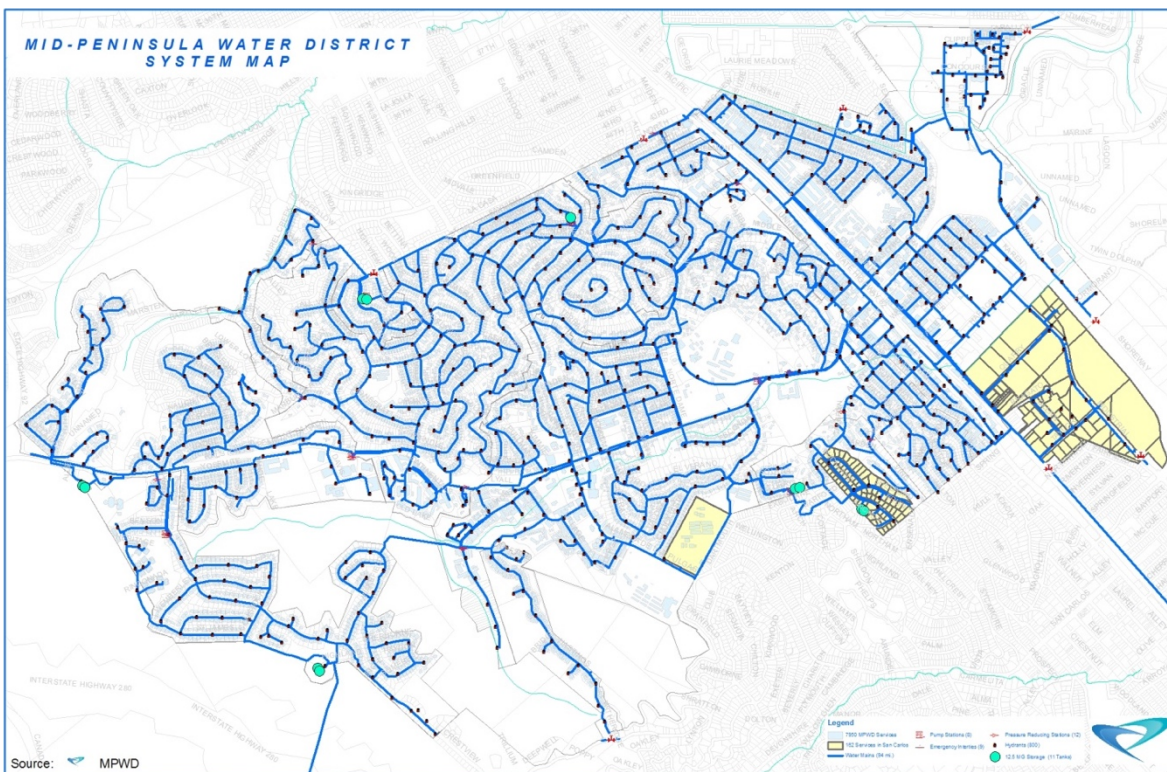
DISTRICT STORAGE TANKS

<u>Tank</u>	<u>Pressure Zone</u>	<u>Total Capacity (GAL)</u>
Hersom	2	1,620,000
Exbourne #1	2	1,020,000
Exbourne #2	2	1,500,000
Dekoven #1	3	760,000
Dekoven #2	3	1,020,000
Buckland #1	5	110,000
Buckland #2	5	110,000
West Belmont #1	7	770,000
West Belmont #2	7	770,000
Hallmark #1	8	2,300,000
Hallmark #2	8	2,300,000
		<u>13,600,000</u>

Source: Mid-Peninsula Water District

In addition to the facilities listed above, the District operates a total of 493,492 feet (93 miles) of water main ranging in size between 4-inch and 24-inch in a variety of material types including cast iron (CIP), asbestos cement (ACP), ductile iron (DIP), polyvinylchloride (PVC), concrete (CCP) and steel (STL). The average age of the water mains throughout the system is approximately 47 years old with an average install date of 1969.

DISTRICT SYSTEM MAP



Source: Mid-Peninsula Water District

The District has the ability to transfer water between pressure zones either in a pump-up or flow-down mode, and there is redundancy built into the District's system so that it can, if necessary, supply all customers from either one of the SFPUC connections.

The District started implementing Automated Metering Infrastructure (AMI) technology in 2012. The AMI technology has many benefits, especially for tracking water use or misuse in near "real time." Approximately 50% or 4,000 AMI meters were in place at the end of 2015.

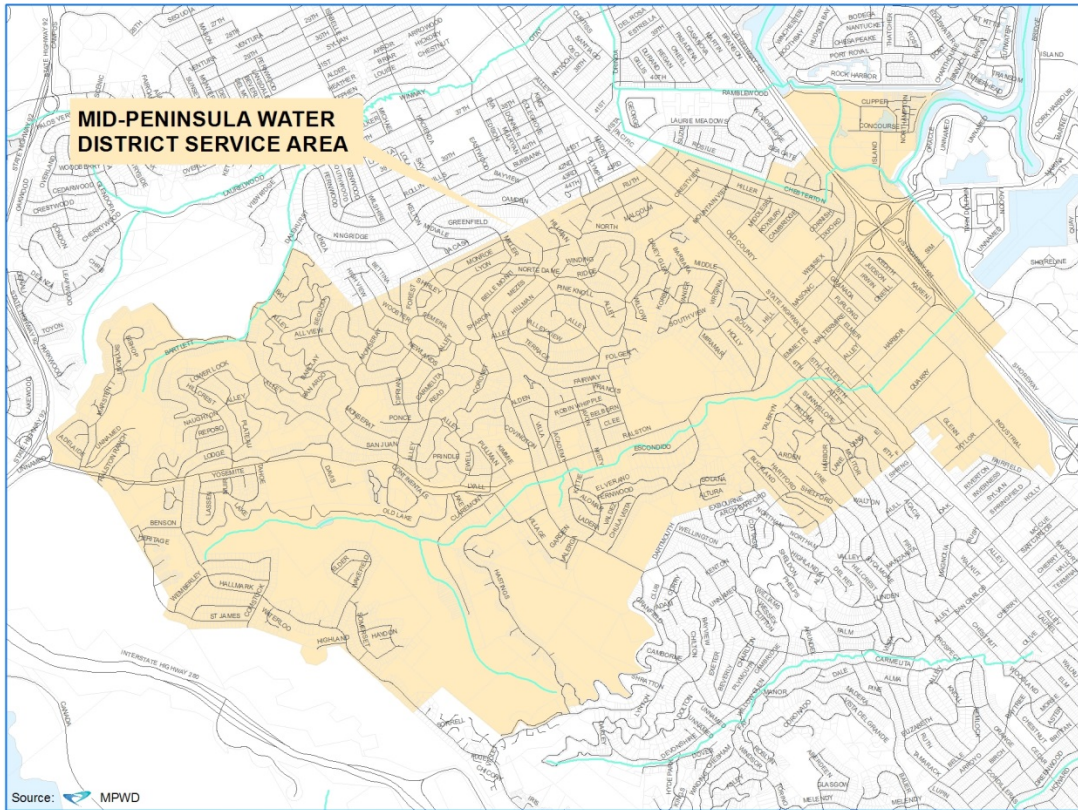
District Service Area

The District service area comprises approximately 5 square in an area slightly larger than the city limits of the City of Belmont. Small portions of the District's service area are within the city limits of the City of San Carlos, and parts of the unincorporated County of San Mateo.

The population served by the District in 2015 was approximately 27,000. The District currently has 8,047 total service connections and that include all of the City of Belmont (7,842 connections, 7,082 residential, 721 commercial, and 39 industrial), portions of the City of San Carlos (145 connections, 72 commercial, 73 residential) and portions of unincorporated San Mateo County (60 connections, 46 commercial, 13 industrial, and 1 residential).

A map of the District's service area is below.

DISTRICT SERVICE AREA BOUNDARIES



Source: Mid-Peninsula Water District

Largest Customers

The table below lists the District's ten (10) largest customers for FY 2015-16. The District has adopted a policy of confidentiality with respect to account information on individual water use; however, the ten largest customers shown below collectively accounted for approximately 7.8% of revenue from water sales. Sales from no one customer exceeds 1.4% of total water sales revenue.

10 Largest District Customers

<u>Customer</u>	<u>Type of Business</u>
Accor Economy Lodging	Motel
The Belmont Homeowners	Multi-family apartments (Davey Glen Road)
Notre Dame	School
McClellan Estate Company	Multi-family apartments (Old County Road)
Novartis	Pharmaceutical manufacturing
Sequoia High School District	School
McClellan Estate Company	Multi-family apartments (Crestview Avenue)
McClellan Estate Company	Multi-family apartments (Crestview Avenue)
Lesley Terra c/o Lesley Senior	Assisted living
Silverado Senior Living	Assisted living

Source: Mid-Peninsula Water District

Water Rates and Charges

The District relies primarily on revenues from water service charges to fund its costs of providing water service. As such, water rates must be set at levels adequate to fund the costs of operating and maintaining the water system, pay for wholesale water supplied by the SFPUC, and fund necessary capital investments to keep the water system in good operating condition.

The District has the power and authority under California law to establish rates and charges for service without the review or approval of any other government body. The District's rates and charges are established by ordinance of the District Board. The District has the right to refuse or terminate water service to delinquent customers and to required full payment of delinquent amounts and reconnection charges to resume service.

The District uses a tiered rate structure that includes a fixed system charge for all users and tiered water rates based on the volume of water used. The District has four tiers of residential use and two tiers of commercial use based on the District's cost-of-service analysis, including water cost recovery calculations attributable to each tier, with water first billed in Tier 1 and subsequently billed in higher tiers as water use increases. Water Consumption Charges are billed per hundred cubic feet (hcf), with 1 hcf equal to approximately 748 gallons of water.

The District's service charges were reviewed by the District' and its financial consultant, Bartle Wells Associates in 2015. The District developed its 5-year water rates plan, transmitted its rate increase notice to all customers, and successfully conducted the required Proposition 218 public hearing on June 25, 2015. The 5-year rate plan adopted by the District Board is included in the following table and will phase in a series of water rate increases.

5-YEAR WATER RATES PLAN

Proposed Water Rates							
Current Rates	Effective on water bills sent on or after:						
	July 1 2015	July 1 2016	July 1 2017	July 1 2018	July 1 2019		
FIXED MONTHLY CHARGES							
<i>Fixed monthly charge based on meter size</i>							
<u>Meter Size</u>							
5/8-inch	\$18.43	\$22.00	\$24.00	\$26.00	\$28.00	\$30.00	
1-inch	27.65	33.00	36.00	39.00	42.00	45.00	
1 1/2-inch	46.08	55.00	60.00	65.00	70.00	75.00	
2-inch	73.73	88.00	96.00	104.00	112.00	120.00	
3-inch	110.59	132.00	144.00	156.00	168.00	180.00	
4-inch	184.31	220.00	240.00	260.00	280.00	300.00	
6-inch	460.79	550.00	600.00	650.00	700.00	750.00	
WATER CONSUMPTION CHARGES							
<i>Billed based on monthly metered water use (\$/hcf)*</i>							
Single Family Residential Customers							
<u>Water Usage Billed in Tier</u>							
Tier 1	0 - 2 hcf	0 - 2 hcf	0 - 2 hcf	0 - 2 hcf	0 - 2 hcf	0 - 2 hcf	
Tier 2	3 - 10 hcf	3 - 9 hcf	3 - 8 hcf	3 - 8 hcf	3 - 8 hcf	3 - 8 hcf	
Tier 3	11 - 25 hcf	10 - 22 hcf	9 - 20 hcf	9 - 20 hcf	9 - 20 hcf	9 - 20 hcf	
Tier 4	Over 25 hcf	Over 22 hcf	Over 20 hcf	Over 20 hcf	Over 20 hcf	Over 20 hcf	
<u>Water Consumption Charge per Tier</u>							
Tier 1	\$4.20	\$5.00	\$5.30	\$5.60	\$5.90	\$6.25	
Tier 2	6.46	7.50	7.90	8.30	8.65	9.00	
Tier 3	7.75	9.00	9.50	10.00	10.50	11.00	
Tier 4	9.04	10.50	11.10	11.70	12.35	13.00	
All Other Customers							
Tier 1	0 - 5 hcf	\$5.81	\$7.00	\$7.25	\$7.50	\$7.75	\$8.00
Tier 2	Over 5 hcf	6.78	8.00	8.35	8.70	9.10	9.50

* 1 hcf = one hundred cubic feet or approximately 748 gallons.

Source: Mid-Peninsula Water District

Besides its schedule of tiered water commodity rates and monthly fixed system charges, the District's 5-year Rates Plan included two additional important provisions: 1) Direct pass-through of SFPUC rate increases over and above its projections; and 2) Water Shortage Emergency Rates, in order to help the District recover its costs of service and remain financially stable during periods of emergency water shortages and reduced water sales.

Pass Through of SFPUC Rate Increases. The adopted 5-year rate plan assume that the SFPUC will increase its wholesale water rates on July 1 each year from the current level of \$2.93 per hcf to \$3.75 per hcf in 2015, \$3.78 per hcf in 2016, \$3.79 per hcf in 2017, \$4.31 per hcf in 2018, and \$4.72 per hcf in 2019. Pursuant to California Government Code 53756, the District is proposing to pass-through any additional increases in SFPUC wholesale water rates above these projected SFPUC rates. Future pass-throughs will be implemented by increasing the District's proposed Water Consumption Charges by exact amount of the increase in cents per hcf in excess of the assumed SFPUC wholesale rates.

For example, if the SFPUC raises its wholesale water rate to \$4.51 per hcf on July 1, 2018, the District would be authorized to increase its Water Consumption Charges by an additional \$0.20 per hcf on or after July 1, 2018. Prior to initiating a pass-through for SFPUC wholesale rates, the District will send notification to all customers at least 30 days prior to implementation.

Water Shortage Emergency Rates. In order to help the District recover its costs of service and remain financially stable during periods of emergency water shortages and reduced water sales, the District may authorize the implementation of Water Shortage Emergency Rates. These emergency rates would be implemented in response to escalating drought conditions and water supply shortages, or in response to additional State-mandated cutbacks in water use in excess of 20%, and would replace the District’s regular Water Consumption Charges. Water Shortage Emergency Rates may be implemented upon declaration of a water shortage emergency pursuant to Water Code Section 350 and/or Water Code Section 31026. Prior to initiating Water Shortage Emergency Rates, the District will send notification to all customers at least 30 days prior to implementation.

The proposed Water Shortage Emergency Rates may be implemented by authorization of the District Board up to the maximum levels shown on the table below, which correspond with a 50% cutback in water demand from usage in 2013. *(No changes are proposed to Single Family Residential Tier 1 for the Water Shortage Emergency Rates.)*

WATER SHORTAGE EMERGENCY RATES

Proposed Maximum Water Shortage Emergency Rates					
Maximum rates effective on or after:					
	July 1 2015	July 1 2016	July 1 2017	July 1 2018	July 1 2019
WATER SHORTAGE EMERGENCY RATES (CONSUMPTION CHARGES)					
<i>Billed based on monthly metered water use (\$/hcf)*</i>					
<u>Single Family Residential Rate Tiers</u>					
Tier 1	\$5.00	\$5.30	\$5.60	\$5.90	\$6.25
Tier 2	9.90	10.57	11.15	11.72	12.14
Tier 3	11.88	12.71	13.43	14.23	14.83
Tier 4	13.86	14.85	15.72	16.74	17.53
<u>All Other Rate Tiers</u>					
Tier 1	\$9.24	\$9.70	\$10.07	\$10.50	\$10.79
Tier 2	10.56	11.17	11.69	12.33	12.81

* 1 hcf = one hundred cubic feet or approximately 748 gallons.

Based on same levels of water use per tier as shown in Proposed Water Rates table.

Source: Mid-Peninsula Water District

History of Rates in the District. A summary review of the rate increases adopted by the District Board for the past six (6) fiscal years is as follows:

DISTRICT HISTORICAL PERCENTAGE RATE INCREASES

<u>Fiscal Year</u>	<u>Percentage Increase</u>
2010-11	9%
2011-12	9
2012-13	9
2013-14	9
2014-15	9
2015-16	18

Source: Mid-Peninsula Water District

Capacity Charge Update and Connection Fees. On March 26, 2015, the District Board adopted changes to the District’s water system capacity charge and added a water demand offset fee for any new residential and non-residential customers to recover a proportionate share of costs for existing and future water system facilities and assets from new or expanded connections to the District’s water system to enable the District to continue its operations and services at the same level and quality and continue its critical capital improvement program to replace aged infrastructure and expand the infrastructure, as necessary, to sustain operations and service to the customer base.

Summary tables showing the District’s water system capacity charges and water demand offset fees are below.

DISTRICT CAPACITY CHARGES

WATER SYSTEM CAPACITY CHARGES			
RESIDENTIAL		<u>Water Demand^{1,2}</u>	<u>Capacity Charge</u>
<i>Charge applies per residential dwelling unit</i>			
Single Family Detached Dwelling Unit	200	gpd	\$9,375
<i>Charge applies to residential dwelling units served by meters up to 1-inch</i>			
Multi-Family Dwelling Unit	120	gpd	\$5,625
<i>Includes: apartments, townhouses, condominiums, and other developments with multiple residential units and separate irrigation meters as designated by the District</i>			
OTHER CONNECTIONS			
<i>Charge applies based on meter size</i>			
<u>Meter Size</u>	<u>Meter Capacity Ratio³</u>	<u>Water Demand⁴</u>	<u>Capacity Charge</u>
Up to 3/4"	1.00	200 gpd	\$9,375
1"	1.67	333 gpd	15,625
1-1/2"	3.33	667 gpd	31,250
2"	5.33	1,067 gpd	50,000
3"	10.00	2,000 gpd	93,750
4"	16.67	3,333 gpd	156,250
6"	33.33	6,667 gpd	312,500
8"	53.33	10,667 gpd	500,000
<p>1 Single family residential demand based on average water use in 2013/14 reduced to account for 10% additional conservation.</p> <p>2 Multi-family demand estimated at 60% of single family detached water demand accounting for minimal to no outdoor irrigation and reduced average occupancy per dwelling unit.</p> <p>3 Based on standard American Water Works Association meter capacities.</p> <p>4 Demand conservatively estimated based on 200 gpd multiplied by meter capacity ratio.</p>			

Source: Mid-Peninsula Water District

DISTRICT DEMAND OFFSET CHARGES

WATER DEMAND OFFSET CHARGES				
	UWMP Water Shortage Response Stages			
	Stage 1	Stage 2	Stage 3	Stage 4
Water Supply Reduction	Up to 11%	12% - 18%	19% - 32%	33% - 50%
Required Water Demand Offset	25%	50%	75%	100%
RESIDENTIAL				
<i>Charge applies per residential dwelling unit</i>				
Single Family Detached Dwelling Unit				
	\$633	\$1,217	\$1,800	\$2,383
<i>Applies to residential dwelling units served by meters up to 1-inch.</i>				
Multi-Family Dwelling Unit				
	\$380	\$730	\$1,080	\$1,430
<i>Includes: apartments, townhouses, condominiums, and other developments with multiple residential units and separate irrigation meters as designated by the District</i>				
OTHER CONNECTIONS				
<i>Charge based on meter size</i>				
<u>Meter Size</u>				
Up to 3/4"	\$633	\$1,217	\$1,800	\$2,383
1"	1,055	2,028	3,000	3,972
1-1/2"	2,110	4,057	6,000	7,943
2"	3,376	6,491	9,600	12,709
3"	6,330	12,170	18,000	23,830
4"	10,550	20,283	30,000	39,717
6"	21,100	40,567	60,000	79,433
8"	33,760	64,907	96,000	127,093

Source: Mid-Peninsula Water District

Sample Bill Calculation for a Typical Single Family Home. Effective July 1, 2015, the monthly bill for a typical single family home with a standard 5/8-inch water meter using 8 hcf of water per month (approximately 200 gallons per day) would be calculated as follows:

SAMPLE BILL

Fixed Monthly Charge	Water Consumption Charges			Total Monthly Bill
<u>5/8" Meter</u>	<u>First 2 hcf x \$5.00</u>	<u>Next 6 hcf x \$7.50</u>	<u>Subtotal</u>	<u>\$22.00 + \$55.00</u>
\$22.00	\$10.00	\$45.00	\$55.00	\$77.00

Source: Mid-Peninsula Water District

Comparative Rates. The following table shows annual single family residential water charges, based on an average 9 ccf monthly water use and meter size (5/8" or 3/4"), within the San Francisco Bay area (as of January 2015):

COMPARATIVE RATES	
Water Supplier	Annual Water Charges
Hillsborough	\$1,371.12
Montara Water Service District	1,198.80
San Bruno	1,051.20
Burlingame	1,015.56
Coastside County Water District (Half Moon Bay)	988.44
Mid-Peninsula Water District	864.60
Brisbane	862.08
Palo Alto	808.20
Millbrae	768.60
North Coast County Water District (Pacifica)	743.76
Redwood City	735.12
East Pal Alto	729.84
Mountain View	634.32
California Water (San Carlos/San Mateo)	610.80
Foster City	500.76
Daly City	410.88

Source: Bartle Wells Associates, District Water Financial Plan & Rate Study dated May 26, 2015.

Water Sales

Billing. The District mails billing statements to its customers on a monthly basis, and reminder bills are mailed out if the bill is not timely paid within 20 days. Shut-off procedures are utilized when a customer becomes delinquent in accordance with the District's ordinances.

Water Use. The table below summarizes metered water consumption by customer source and customer class for Fiscal Years 2011-12 through 2015-16, including per capita use. Unaccounted for or non-revenue water uses included firefighting, District use for line flushing and tank cleaning, water main leaks/breaks, and other system losses.

DISTRICT WATER SOURCES AND USES

SUPPLY BY SOURCE (ccf)					
	Actual FY 11-12	Actual FY 12-13	Actual FY 13-14	Actual FY 14-15	Actual FY 15-16
San Francisco Water	1,437,360	1,453,047	1,408,109	1,209,300	1,076,654
Local Groundwater	-	-	-	-	-
Surface Water	-	-	-	-	-
Recycled Water	-	-	-	-	-
Other	-	-	-	-	-
Total	1,437,360	1,453,047	1,408,109	1,209,300	1,076,654
mgd equivalent	2.95	2.98	2.89	2.48	2.21

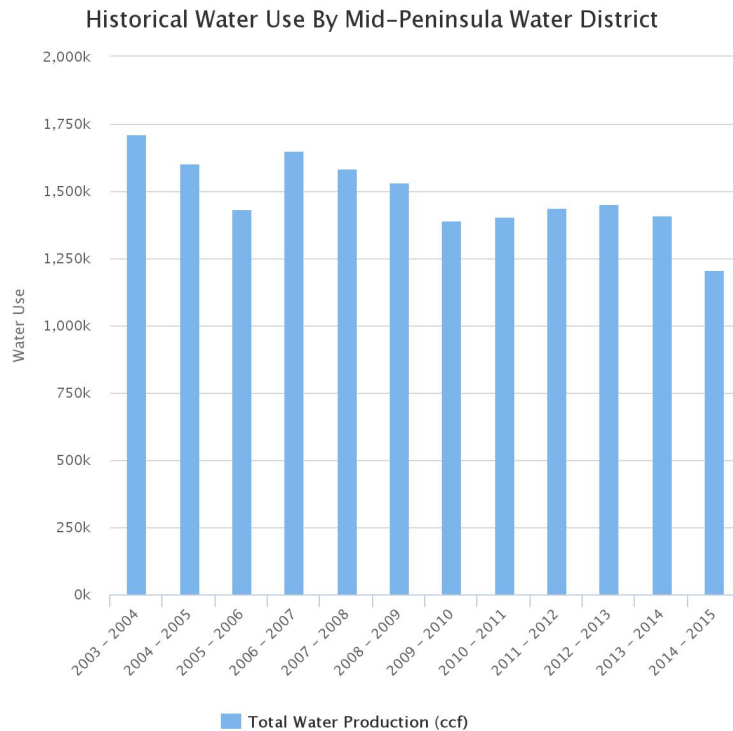
DEMAND BY SECTOR (ccf)					
	Actual FY 11-12	Actual FY 12-13	Actual FY 13-14	Actual FY 14-15	Actual FY 15-16
Residential	1,016,212	1,004,087	993,343	834,024	732,057
Commercial/Industrial	182,696	259,889	258,172	234,417	219,557
Other	70,228	86,613	83,953	71,882	64,982
Unaccounted for (Non-revenue)	168,224 -11.7%	102,458 -7.1%	72,641 -5.2%	68,977 -5.7%	60,058 -5.6%
Total	1,437,360	1,453,047	1,408,109	1,209,300	1,076,654
mgd equivalent	2.95	2.98	2.89	2.48	2.21

PER CAPITA USE (gpcpd)					
	Actual FY 11-12	Actual FY 12-13	Actual FY 13-14	Actual FY 14-15	Actual FY 15-16
Residential	79	78	77	64	57
Gross	112	113	110	93	85

Source: Mid-Peninsula Water District

Per Capita Use. District gross per capita demand in non-drought years is consistent at 112 and 113 gallons per capital per day (gpcd). It dropped in drought years to 110 gpcd in FY 2013-14 and lower to 85 gpcd in FY 2015-16. The 85 gpcd obtained in 2015-16 was lower than the 2015 interim target of 126 gpcd in compliance with the District’s SBX7-7 water use target. The District’s 2020 target is 121 gpcd and based upon continued water conservation efforts, the District believes its customers will use less on a per capita basis than the target.

Historical Water Use. The table below shows historical water use by the District from FY 2003-04 through FY 2014-15.



Source: BAWSCA

Drought Management and Contingency Planning

Overview. The District’s 2015 Urban Water Management Plan was adopted on June 23, 2016, together with the District’s Water Shortage Contingency Plan (“WSCP”). The District’s WSCP is the result of a strategic planning process to prepare for and respond to water shortages in order to maintain reliable supplies and reduce the impacts of supply interruption.

The District’s WSCP is applicable to a range of temporary, short- and long-term emergency conditions when the supply volume or system delivery capability is impaired, including but not limited to: a main break or other distribution system failure, a RWS water treatment plant failure, a natural disaster (flood, earthquake, wind damage, etc.), a fire, water quality issue with supply reservoirs or system contamination; and/or drought conditions.

The District engages in an array of water conservation programs including Lawn-Be-Gone, HET (High Energy Toilet), Rain Barrel, and High Efficiency Clothes Washing Machine rebate programs, school conservation programs, and landscape audit programs. The District used public service announcements and messaging, monthly conservation reporting, its newsletters, website updates, a local newspaper advertising campaign, bill stuffers, and participation in community events to provide public information and education about water conservation, and it proved to be successful.

Water Savings in 2015-16. The General Manager reports monthly on water conservation progress within the District. June 1, 2015 was the start of the measurement period for the 2015-16 statewide water conservation goals. The District’s conservation goal was 20% when compared to 2013 water consumption, and the District’s cumulative water savings exceeded that goal. The following table reflects the water savings in 2015-16 relative to 2013 levels:

**DISTRICT WATER SAVINGS IN 2015-16
(RELATIVE TO 2013)**

2015-16 Month	2015-16 Units	2013 Units	Percentage Change from 2013	Cumulative Water Savings	2015-16 R-GPCD	2013 R-GPCD
June, 2015	103,863	150,614	-31.0%	-31.0%	82.3	122.6
July	105,639	156,081	-32.3	-31.7	81.1	122.9
August	106,832	155,788	-31.4	-31.6	82.0	122.7
September	105,459	145,551	-27.5	-30.6	83.6	118.5
October	98,345	122,117	-19.5	-28.3	75.5	96.2
November	77,733	106,535	-27.0	-28.1	61.6	86.7
December	70,423	94,062	-25.1	-27.7	54.0	74.1
January, 2016	69,741	84,202	-17.2	-26.4	53.5	66.3
February	71,345	86,478	-17.5	-25.4	58.5	75.4
March	71,219	106,663	-33.2	-26.2	54.6	84.0
April	82,916	120,265	-31.1	-26.6	65.7	87.9
May	101,955	155,736	-34.5	-27.3	78.2	122.7

Source: Mid-Peninsula Water District

2016 Statewide Water Conservation Regulations. The SWRCB adopted a statewide water conservation approach that replaces the percentage reduction-based standard with a localized “stress test” benchmark. Urban water suppliers were mandated to locally develop conservation standards based upon each agency’s specific circumstances. The new statewide standards required local water agencies to ensure a 3-year supply assuming three more dry years like the ones recently experienced from 2012 to 2015. Water suppliers that would face shortages under three additional dry years would be required to meet a conservation target equal to the amount of the shortage. For example, if a water supplier’s projections include a 10% supply shortfall, its mandatory conservation standard would be 10% (compared with 2013 consumption).

The SFPUC’s *Self-Certification of Supply Reliability for Three Additional Years of Drought and Update to Final Water Supply Availability Estimate* dated June 9, 2016 was submitted to the State before the June 15th deadline. The SFPUC’s 3-year look ahead is good for the RWS supply and a 10% voluntary reduction (compared with 2013 consumption) was requested.

The SFPUC used actual CY2013 and CY2014 demand for each of its wholesale customers, and then averaged the two calendar years for its projected supply for each customer under the SWRCB’s proposed 3-year drought methodology. For the District, the projected supply is 1,038.8 MG (1.4 million units) for each of the water years 2017, 2018, and 2019. For comparison in units, the Districts demand for the past three years was 1.1 million in 2015, 1.3 million in 2014 and 1.5 million in 2013.

The District's self-certification was submitted to the State on June 20, 2016, and reflected the need for a 0% conservation target. However, the District reported it will request a 10% voluntary reduction as was requested by SFPUC for FY 2016-17.

The SWRCB regulations further required continued monthly conservation reporting by urban water suppliers. Prohibitions against certain water uses were also extended.

The new water conservation standards took effect in June 2016 and remain in effect until the end of January 2017.

Water Conservation. The District does not have a recycled water supply or the funding and infrastructure to deliver it. The District does not engage in wastewater collection, treatment, or disposal. The Silicon Valley Clean Water facility where District service area's wastewater is treated is limited to supplying recycled water for use in Redwood City.

Capital Improvement Program

The District's current capital improvement program was approved by the District Board on May 26, 2016. The District's capital improvement program includes a total of 93 capital projects totaling approximately \$52 million (in 2015 dollars) that fall into several work categories including:

- Abandoning cross country water mains,
- Eliminating parallel water mains,
- Eliminating dead ends by creating loops,
- Eliminating lengthy water mains serving only one or two connections,
- Eliminating all 4-inch water mains (undersized),
- Replacing aging pipes prone to leaks or expected to leak,
- Increasing fire flows by adding fire hydrants,
- Tank structural analyses,
- Adding system redundancy,
- Increasing water main size where capacity is needed.

Below is a list of the significant capital projects estimated at \$1 million and higher and identified within the District's most recent capital improvement program:

El Camino Real Water Main Replacement - \$2.1 million. El Camino Real is located in the western portion of Zone 1 and spans the entire length of the zone for approximately 8,400 LF (lineal feet). The existing water mains along the road consist of 100 LF of 8" asbestos cement (AC), 1,700 LF of 8" ductile iron pipe (DIP), 3,800 LF of cast iron pipe (CIP), and 1,300 LF of polyvinylchloride (PVC) for a total of 6,900 LF. Several leaks have occurred along the alignment primarily within the CIP section, which was installed in 1950. All other pipe was installed in the 1990s. This project replaces the 3,800 LF of CIP with 8" DIP and installation of 300 LF of new 8" DIP. Also included for replacement are 8 fire hydrants, 4 fire services, and 23 service connections.

Old County Road Water Main Replacement - \$3.4 million. Old County Road spans the entire length of Zone 1 and has approximately 5,000 LF of various 4", 6", and 8" CIP and AC water mains installed in the 1930s/1940s located on the east side of the road. In addition, approximately 3,100 LF of 10" and 12" PVC and polyethylene (PE) water mains in steel casings were installed in the late 1980s and parallel the

CIP and AC on the left side of the road. Hydraulic analysis indicates the larger parallel water mains (10"-12") provide no significant fire flow benefit to the zone. This project abandons 6,475 LF of various sized parallel water main and replaces all of the 6"-8" CIP/AC with 8" PVC (3,700 LF) and 1,800 LF of 20" CC with 20" PVC from Bragato Road to Marine View Avenue. Also included for replacement are 11 fire hydrant assemblies, 111 service connections, and 15 fire service connections.

State Route 101 Water Main Crossing at Palo Alto Medical Foundation Hospital - \$1.7 million. Two State Route 101 (SR 101) water main crossings exist in Zone 1, including a 500 LF 12" AC crossing between Karen Road and Sem Lane, and another 12" PVC crossing a half mile to the north. The 12" AC was installed in 1963 in a 36" steel casing. As part of the Palo Alto Medical Foundation (PAMF) Hospital development agreement with the District at the south end of Zone 1, the District obtained a 15' easement along the northeast side of the PAMF property and a 40' x 40' area in the northeast corner to serve as a staging area for an alternate SR 101 crossing. This project abandons the aging 12" AC crossing and relocates it to the PAMF easement with a new 1,100 LF 12" PVC water main. To loop the water main back to the existing water main on Shoreway Road requires the installation of an additional 1,200 LF 8" PVC. Two fire hydrant assemblies, a new intertie, and cathodic protection of all metallic fittings/materials will also be installed.

Dekoven Tanks Replacement - \$3.5 million. The Dekoven Tanks were constructed in 1952 and are a critical element of the Zone 3 water distribution system. The existing tanks are 52 and 60 feet in diameter, approximately 48 feet tall and have capacities of 720,000 gallons and 1 million gallons, respectively. A recent structural analysis determined the maximum capacity level in the tanks should be reduced to 22 feet (from the current 30 feet) to withstand seismic events. This is not operationally feasible during high summer demands. The coatings on each tank are also failing. The project will replace the existing 0.7 MG and 1.0 MG tanks with two 0.8 MG tanks.

West Belmont Tanks Water Main Improvements - \$1.4 million. The West Belmont Tank site located behind 2900 Belmont Canyon Road has two 645,000 gallon tanks fed by two cross county water mains—an 8" DIP to the west, and an 8" CIP to the east. It is the sole source of storage for Zone 7. These water mains were installed in the late 1950s and early 1960s. The project abandons 1,130 LF of cross country water mains at the tank site, increases 2,400 LF of 8" DIP/CIP to 12" DIP, replaces 1,400 LF of aging 8" DIP/CIP with new 8" DIP, replaces 2 fire hydrant assemblies, and 2 service connections.

Complete AMI Installation - \$2 million. The District meters all of its customers and it is in the process of completing AMI (Automated Metering Infrastructure) installations. Currently, the District has approximately 4,000 AMI meters (approximately 50%) in place. This project would replace the remaining 50% of the manual read meters with AMI meters.

SCADA System Replacement/Rehabilitation - \$1.5 million. The District's SCADA (Supervisory Control and Data Acquisition) system is aged (20+ years old) and subject to failure making it dysfunctional at times. The master station is at the District Dairy Lane Operations Center, and remote sites are comprised of 11 steel tanks, 8 pump stations, 13 pressure regulator, 1 line flow meter, and 6 intertie valve stations. Operations personnel rely on the SCADA system for proactive response to potential problems within the District's water distribution system. The telemetry system has been updated in places but due to technology improvements and enhanced hardware reliability, the District contracted with a professional engineering consultant in 2015 and working with staff designed a SCADA Master Plan so that the District system could functionally be replaced. That plan is dated September 11, 2015, and was prepared by John

Nourse, Registered Electrical Engineer. For security reasons, the District does not publicly make this document available.

Dairy Lane Operations Center Rehabilitation/Upgrade - \$1.5 million. The Dairy Lane premises were purchased in 1997 and modified to meet the District's needs at that time, including a shop area and small office area. Most of the improvements were accomplished in-house by staff. The original HVAC system has exceeded its useful life and is not zoned properly in the office area, leaks in the roof have been repaired over the years but it, too, is in need of replacement, the office area needs to be redesigned for functionality, ergonomics, and improved use of the space, the carpet and flooring is original and needs to be replaced, and restrooms are deficient. A seismic evaluation of the facility and premises will be conducted within the next 90 days. The District is working with an engineer and architect, interior designer, and other consultants to develop a rehabilitation plan and design concepts, cost estimate, and phased construction plan.

Summary. Four out of the eight above described capital projects are included within the District's adopted 5-year CIP for FY 2016-17 through FY 2020-21. The other four projects will either be included in the next capital improvement plan or constructed with pay-go funds when available and approved by the Board.

The projected costs of the District’s 5-year capital improvement program are presented in the table below.

**5-YEAR CAPITAL IMPROVEMENT PROGRAM PROJECTED COSTS
FY 2016-17 THROUGH FY 2020-21**

Project Number	Project Name	Projected Cost (2015)
15-14	Mezes Avenue Improvements	\$ 175,000
15-76	El Camino Real Improvements	2,100,000
15-65	Folger Drive Improvements	420,000
15-73	Karen Road Improvements	425,000
15-10	Notre Dame Avenue Loop Closure	910,000
15-44	South Road Abandonment	415,000
15-22	Arthur Avenue Improvements	475,000
15-16	Williams Avenue, Ridge Road, Hillman Avenue Improvements	1,100,000
15-43	North Road Cross Country/Davey Glen Road Improvements	680,000
15-06	Zone 5 Fire Hydrant Upgrades	150,000
15-78	Civic Lane Improvements	800,000
15-17	Monte Cresta Drive/Alhambra Drive Improvements	1,075,000
15-87	Hillcrest Pressure Regulating Station	345,000
15-09	Dekoven Tank Utilization Project	1,035,000
15-28	Tahoe Drive Area Improvements	510,000
15-29	Belmont Canyon Road Improvements	420,000
15-38	Cliffside Court Improvements	220,000
15-42	North Road Improvements	220,000
15-75	Old County Road Improvements	3,400,000
15-72	SR 101 Crossing at PAMF Hospital	1,670,000
15-89	Dekoven Tanks Replacement	3,500,000
	Total	<u>20,045,000</u>

Source: Mid-Peninsula Water District

DISTRICT FINANCIAL MATTERS

Budgetary and Financial Matters

The District operates on a July 1st to June 30th fiscal year. Each fiscal year, two (2) budgets are developed, an Operating Budget and a Capital Budget.

The District Board begins the budget development process in February or March of each year for a June adoption. The budget documents are discussed during regular District Board meetings each month from February through June.

The Operating Budget includes the revenues and expenditures for the day-to-day operations of the District. The Capital Budget includes the capital infrastructure and system projects and outlays. The District has been operating on a “pay as you go” basis for its capital improvements.

A mid-year budget review is typically scheduled each year. This process allows for an updated report on the previous 6-month operational and capital activities, and revenue collections and

expenditures. Any proposed budgetary adjustments for the remainder of the fiscal year are also considered at this time.

Historical Revenues, Expenses and Debt Service Coverage

The following table has been derived by the District on the basis of its audited financial statements for FY2012-13 through FY2014-15, the unaudited actuals for FY2015-16 and the operating budget for FY2016-17. A copy of the most recent audited financial statements of the District for Fiscal Year ended June 30, 2015 is included as Appendix B hereto. The following summary is qualified in its entirety by reference to the audited financial statements for such years, including the notes thereto. The District's Auditor has not reviewed the information set forth in the following table.

HISTORICAL REVENUES, EXPENSES

	Fiscal Year				
	2012-13 Audited	2013-14 Audited	2014-15 Audited	2015-16 Actuals	2016-17 Budget
Operating Revenues					
Water service charges	9,023,562	9,748,347	9,269,172		
Other revenue	379,852	66,004	70,931		
Total Operating Revenues	9,403,414	9,814,351	9,340,103		
Operating Expenses					
Salaries and benefits	1,896,336	2,214,994	2,258,983		
Maintenance and rehabilitation	399,927	460,720	529,883		
Purchased water	4,344,176	4,102,227	4,160,810		
Utilities	336,603	303,834	312,784		
Professional services	554,249	386,496	461,682		
Administrative and other	617,416	687,694	665,813		
Depreciation	785,945	837,048	912,979		
Total Operating Expenses	8,934,652	8,993,013	9,302,934		
Operating Income/(Loss)	468,762	821,338	37,169		
Non-Operating Revenues					
Rent	171,808	209,518	194,681		
Property taxes	234,629	242,407	259,597		
Insurance claim reimbursement	-	4,726	-		
Interest income	8,566	11,662	9,751		
Completed projects	64,008	122,203	118,202		
Total Non-Operating Revenues	479,001	590,516	582,231		
Change in Net Position	947,773	1,411,854	619,400		
Net Position, Beginning of Year	17,797,870	18,745,643	18,624,896⁽¹⁾		
Net Position, End of Year	18,745,643	20,157,497	19,244,296		

Source: Mid-Peninsula Water District Audited Financial Statements for FY2013-2015 and the Mid-Peninsula Water District.

(1) Reflects a prior period adjustment of \$(1,532,601) relating to implementation of GASB 68.

Projected Operating Results of the District

Estimated projected operating results and debt service coverage for the District for the current and next eight Fiscal Years are set forth below. Certain assumptions have been made by the District in the development of the projections. Many of these assumptions are reflected in the projections. While the District believes its assumptions are reasonable, there can be no assurance that the assumed conditions will in fact occur. The District's projections may be affected (favorably or unfavorably) by unforeseen future events. Therefore, the results projected below cannot be assured.

PROJECTED REVENUES, EXPENDITURES AND DEBT SERVICE COVERAGE FISCAL YEARS 2015-16 TO 2023-24

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Adopted	Adopted	Adopted	Adopted	Adopted	Projected	Projected	Projected	Projected
Overall Rate Adjustments	18%	6%	6%	6%	6%	8%	6%	6%	5%
Growth in Service Connections	5	30	20	2	2	2	2	2	2
Water System Capacity Charge	\$9,375	\$9,560	\$9,750	\$9,950	\$10,150	\$10,350	\$10,560	\$10,770	\$10,990
Change in Water Sales	-13.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Change in Sales Revenues	-14.63%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Water Sales (hcf)	1,052,000	1,052,000	1,052,000	1,052,000	1,052,000	1,052,000	1,052,000	1,052,000	1,052,000
SFPUC Water Supply (hcf) +7%		1,125,600	1,125,600	1,125,600	1,125,600	1,125,600	1,125,600	1,125,600	1,125,600
Prior SFPUC Rate per hcf	\$3.75	\$3.78	\$3.79	\$4.31	\$4.72	\$4.74	\$4.90	\$5.03	\$5.17
Revised SFPUC Rate per hcf	\$3.75	\$4.10	\$4.28	\$4.68	\$5.33	\$5.34	\$5.49	\$5.89	\$6.11
SFPUC Add'l Rate Pass-Through	-	0.32	0.49	0.37	0.61				
Interest Earnings Rate	0.30%	0.50%	0.75%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Cost Escalation	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Beginning Fund Reserves	\$3,387,000	\$3,046,000	\$3,108,000	\$3,135,000	\$3,152,000	\$3,232,000	\$3,273,000	\$3,348,000	\$3,425,000
REVENUES									
Monthly Service Charges	2,460,000	2,684,000	2,908,000	3,132,000	3,356,000	3,625,000	3,844,000	4,076,000	4,281,000
Water Sales	7,250,000	7,737,000	8,093,000	8,461,000	8,842,000	9,549,000	10,122,000	10,729,000	11,265,000
Add'l Revs from Pass-Through	0	337,000	515,000	389,000	642,000	0	0	0	0
Subtotal Rate Revenues	9,710,000	10,758,000	11,516,000	11,982,000	12,840,000	13,174,000	13,966,000	14,805,000	15,546,000
Interest Revenue	10,000	15,000	23,000	31,000	32,000	32,000	33,000	33,000	34,000
Lease of Physical Property	150,000	155,000	160,000	165,000	170,000	175,000	180,000	185,000	191,000
Property Taxes	245,000	252,000	260,000	268,000	276,000	284,000	293,000	302,000	311,000
Capacity Charges	235,000	287,000	195,000	20,000	20,000	21,000	21,000	22,000	22,000
Other/Miscellaneous Revenues	50,000	50,000	52,000	54,000	56,000	58,000	60,000	62,000	64,000
Total Revenues	10,400,000	11,517,000	12,206,000	12,520,000	13,394,000	13,744,000	14,553,000	15,409,000	16,168,000
Debt Proceeds		15,000,000							
EXPENSES									
<u>Operating & Maintenance</u>	<u>Revised</u>	<u>Revised</u>							
Personnel Costs	2,500,000	2,800,000	2,912,000	3,028,000	3,149,000	3,275,000	3,406,000	3,542,000	3,684,000
SFPUC Water Purchases	4,130,000	4,680,000	4,900,000	5,328,000	6,034,000	6,110,000	6,265,000	6,690,000	6,955,000
BAWSCA Bond Surcharge	461,000	475,000	490,000	490,000	490,000	490,000	490,000	490,000	490,000
Maintenance & Repair	500,000	500,000	520,000	541,000	563,000	586,000	609,000	633,000	658,000
Utilities	300,000	300,000	312,000	324,000	337,000	350,000	364,000	379,000	394,000
Professional Services	550,000	500,000	520,000	541,000	563,000	586,000	609,000	633,000	658,000
Wtr Conservation Prog & Rebates	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000
Other Operating Costs	600,000	625,000	650,000	676,000	703,000	731,000	760,000	790,000	822,000
Subtotal	9,171,000	10,010,000	10,434,000	11,058,000	11,969,000	12,258,000	12,633,000	13,287,000	13,791,000
Debt Service (20-Years, 3.25%)		1,045,000	1,045,000	1,045,000	1,045,000	1,045,000	1,045,000	1,045,000	1,045,000
Capital Improvements	1,570,000	400,000	700,000	400,000	300,000	400,000	800,000	1,000,000	1,300,000
Total Expenses	10,741,000	11,455,000	12,179,000	12,503,000	13,314,000	13,703,000	14,478,000	15,332,000	16,136,000
Revenues Less Expenses	(341,000)	62,000	27,000	17,000	80,000	41,000	75,000	77,000	32,000
Ending Fund Reserves	3,046,000	3,108,000	3,135,000	3,152,000	3,232,000	3,273,000	3,348,000	3,425,000	3,457,000
Debt Service Coverage		1.44	1.70	1.40	1.36	1.42	1.84	2.03	2.27

Source: Mid-Peninsula Water District

Outstanding Water System Obligations

The District has no outstanding loans, obligations, or long-term debt payable from Net Revenues.

Investments

District cash reserves as of August 31, 2016, are invested with the State LAIF (Local Agency Investment Fund) and identified per its Reserve Policy as follows:

MPWD RESERVE FUNDS				
Reserve Account	Balance @ 08/31/2014	Balance @ 08/31/2015	Balance @ 08/31/2016	Budget for Reserve Policy
Capital Reserves	\$ 1,779,466	\$ 889,457	\$ 1,555,161	\$ 2,500,000
Emergency Reserves	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Working Capital Reserves	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
TOTAL RESERVE FUNDS	\$ 4,279,466	\$ 3,389,457	\$ 4,055,161	\$ 5,000,000

Source: Mid-Peninsula Water District

The District adopted a Reserve Policy on December 13, 2007 to cover its' investment and reserve activities.

Risk Management

The District is a member of ACWA JPIA (Association of California Water Agencies Joint Power Insurance Authority) and belongs to its pooled insurance group together with other California public water agencies for property, liability, worker's compensation, and healthcare benefits. Policy limits are \$60 million.

Employees' Retirement Plan

Plan Description. All qualified permanent and probationary employees are eligible to participate in the District's Retirement Plan (the "Plan"), 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 Plan 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 1957 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.

On January 1, 2013, the Public Employee Pension Reform Act ("PEPRA") went into effect. This State law applies to employees hired after January 1, 2013 who are new to CalPERS. These employees are termed PEPRA members and employees that were enrolled in CalPERS (without significant separation)

prior to January 1, 2013 are now referred to as classic members. PEPRA miscellaneous members will be enrolled in a 2% at 62 plan. PEPRA members will be required to pay half the normal cost of their plans.

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 for the Plan is determined annually on an actuarial basis as of June 30th 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (the measurement date), the average active employee contribution rate is 7.958% of annual pay for the Plan, and employer contribution rate is 23.324% of annual payroll for the Plan.

Net Pension Liability. As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan of \$1,118,234.

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District’s proportionate share of the net pension liability for the Plan as of June 30, 2014 is 0.04525%.

Deferred Outflows and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2015, the District recognized pension expense of \$143873. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

	Deferred Outflows of Resources	Deferred inflows of Resources
Contributions subsequent to measurement date	203,461	-
Difference between proportionate share and actual share of employer contributions	-	62,799
Change in employer portion and proportionate share of contributions	-	(23,453)
Differences between projected and actual earnings on Plan investments	-	(258,064)
Total	203,461	-

Source: Mid-Peninsula Water District 2014-15 Audited Financial Statements

\$203461 reported as deferred outflows of resources related contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

RECOGNITION SCHEDULE

Measurement Periods Ended June 30,	Deferred Outflows/(Inflows) of Resources
2016	(50,464)
2017	(50,464)
2018	(53,274)
2019	(64,516)

Source: Mid-Peninsula Water District 2014-15 Audited Financial Statements

See “Note 4 - Employee Retirement Plan” in APPENDIX B—“AUDITED FINANCIAL STATEMENTS OF THE MID-PENINSULA WATER DISTRICT FOR THE YEAR ENDED JUNE 30, 2015” for additional information about the Plan.

Recent Actions by PERS. On March 14, 2012, the PERS Board of Administration voted to reduce its discount rate, which is attributable to its expected price inflation and investment rate of return (net of administrative expenses), from 7.75% to 7.5%. As a result of such discount rate decrease, among other things, (i) the amounts of PERS member employer contributions will increase by 1.2 to 1.6% for Miscellaneous plans and 2.2 to 2.4% for Safety plans beginning fiscal year 2012-13 and (ii) the amounts of PERS member public agency contributions will increase by one to 2% for Miscellaneous plans and two to 3% for Safety plans beginning fiscal year 2013-14.

The PERS Board adjustment has been undertaken in order to address underfunding of the PERS funds, which arose from significant losses incurred as a result of the economic crisis arising in 2008 and persists due to a slower than anticipated, subsequent economic recovery. The District is unable to predict what the amount of PERS liabilities will be in the future, or the amount of the PERS contributions which the District may be required to make.

At its April 17, 2013 meeting, the PERS Board of Administration approved a recommendation to change the PERS amortization and smoothing policies. Prior to this change, PERS employed an amortization and smoothing policy which spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. After this change, PERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

The new amortization and smoothing policy were used for the first time in the June 30, 2013 actuarial valuations. These valuations were performed in the fall of 2014 and set employer contribution rates for the fiscal year 2015-16.

On February 20, 2014, the PERS Board of Administration adopted new mortality and retirement assumptions as part of a regular review of demographic experience. Key assumption changes included longer post-retirement life expectancy and earlier retirement ages. The impact of the assumption changes will be phased in over five years, with a twenty-year amortization, beginning in the 2016-17 Fiscal Year.

According to PERS, the current amortization and smoothing policy was designed to reduce volatility in employer contribution rates, and, although the policy accomplished this goal fairly well since its adoption, a number of concerns have developed:

- The use of an actuarial value of assets corridor can lead to significant single year increases to rates in years when there are large investment losses.
- The use of long asset smoothing periods and long rolling amortization periods result in slow progress toward full funding.
- The use of an actuarial value of assets requires the disclosure of two different funded statuses and unfunded liability numbers in actuarial valuation reports. This adds confusion and inhibits transparency.
- The use of rolling amortization and long asset smoothing periods makes it difficult for employers to predict when contribution rates will peak and how high that peak will be.
- The use of rolling amortization and asset smoothing periods may result in additional calculations for the new accounting standards. These calculations would be avoided with a quicker funded status recovery.

According to PERS, the adoption of the new smoothing and amortization policies will change future employer contribution rates, as follows:

- Funding levels will improve, which will reduce the funding level risk.
- Local agencies' plans will experience more rate volatility in normal years, but a much reduced chance of very large rate increases in years when there are large investment losses.
- Contribution rates in the near term will increase.
- Long-term contribution rates will be lower.
- There will be greater transparency about the timing and impact of future employer contribution rate changes.
- The new policy eliminates the need for an actuarial value of assets. As a result, there will be only one funded status and unfunded liability in actuarial reports.
- There will be less confusion when the new accounting standards are implemented since there will be no need for extra liability calculations.

GASB Statement Nos. 67 and 68. On June 25, 2012, the Governmental Accounting Standards Board ("GASB") approved two new standards ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, will replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes will impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: 1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); 2) more components of full pension costs being shown as expenses regardless of actual contribution levels; 3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; 4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and 5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to

recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time.

The reporting requirements under GASB No. 68 for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014. The District's net pension liability at June 30, 2016 calculated pursuant to GASB No. 68 was estimated to be \$69,753,895.

Pension Reform Act of 2013 (Assembly Bill 340). On September 12, 2012, Governor Brown signed AB 340, a bill that enacted the California Public Employees' Pension Reform Act of 2013 ("PEPRA") and that also amended various sections of the State Education and Government Codes. PEPRA (i) increases the retirement age for new State, school, and city and local agency employees depending on job function, (ii) caps the annual PERS pension benefit payouts, (iii) addresses numerous abuses of the system, and (iv) requires State, school, and certain city and local agency employees to pay at least half of the costs of their PERS pension benefits. PEPRA applies to all public employers except the University of California, charter cities and charter counties (except to the extent they contract with PERS.)

The provisions of PEPRA went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on that date and after; existing employees who are members of employee associations, including employee associations of the District, will have a five-year window to negotiate compliance with PEPRA through collective bargaining. If agreement is not reached by January 1, 2018, a city, public agency or school district could force employees to pay their half of the costs of PERS pension benefits, up to 8% of pay for civil workers and 11% or 12% for public safety workers.

PERS has predicted that the impact of PEPRA on employers, including the District and other employers in the PERS system, and employees will vary, based on each employer's current level of benefits. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn. Additionally, PERS has noted that changes arising from PEPRA could ultimately have an adverse impact on public sector recruitment in areas that have historically experienced recruitment challenges due to higher pay for similar jobs in the private sector.

More information about PEPRA can be accessed through the PERS's web site at <https://www.calpers.ca.gov/page/about/laws-regulations/regulatory-actions/pepra>. That website is not incorporated herein by reference.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make.

Other Post-Employment Benefits

Plan Description. The District provides postemployment health care benefits for all employees who terminate or retire from the District after achieving age 55 with at least 20 years of service. For employees hired before June 28, 2008, District-paid benefits are available to eligible beneficiaries. The

General Manager position qualifies for postemployment healthcare benefits after 7 1/2 years of service with the District per the employment agreement.

Funding Policy. The District has an agreement with the Public Agency Retirement Services (PARS) to be the Trust Administrator to the PARS Public Agencies Post-Retirement Health Care Plan Trust. The amount to be contributed to the trust is determined annually by the District Board.

Annual OPEB Cost and Net OPEB Asset. The District's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contributions (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2015, the amount actually contributed to the plan, and changes in the District's Net OPEB Obligation:

CHANGE IN OPEB OBLIGATION

Actuarially determined contribution	155,500
Interest on net OPEB asset	(1,141)
Adjustment to annual required contribution	1,169
Annual OPEB cost	155,528
Contributions made	(131,620)
Increase in net OPEB obligation	23,908
Net OPEB asset – beginning of year	(19,343)
Net OPEB asset – end of year	4,565

Source: Mid-Peninsula Water District 2014-15 Audited Financial Statements

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current fiscal year and each of the two preceding years are as follows:

HISTORICAL OPEB OBLIGATIONS

Fiscal Year	Annual OPEB Cost (AOC) (Employer Contribution)	Actual Contribution	% of AOC Contributed	Net OPEB Obligation/(Asset)
2014-15	155,528	131,620	85%	4,565
2013-14	151,033	147,344	98	(19,343)
2012-13	123,748	78,546	63	(23,032)

Source: Mid-Peninsula Water District 2014-15 Audited Financial Statements

Funded Status and Funding Progress. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the Annual Required Contributions of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

See “Note 6 – Other Post-employment Benefits” in APPENDIX B— “AUDITED FINANCIAL STATEMENTS OF THE MID-PENINSULA WATER DISTRICT FOR THE YEAR ENDED JUNE 30, 2015” for additional about the post-employment health care benefits provided to the employees of the District.

THE CORPORATION

The Corporation is a nonprofit, public benefit corporation duly organized and existing under the laws of the State of California and is entitled to purchase personal and real property and to sell or lease such property, to contract for construction and improvements and to execute operating agreements regarding such property. The Corporation was formed for the purpose of providing financial assistance to public entities by acquiring, constructing, developing and refinancing certain facilities for the use and benefit of the public. The Corporation has no liability to the Owners of the Certificates.

CERTIFICATE OWNERS’ RISKS

The following section describes certain special considerations and risk factors affecting the risk of nonpayment or the security for the Certificates. The following discussion is not meant to be an exhaustive or definitive description of the risks associated with a purchase of any Certificate and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following special factors regarding the Certificates, together with all other information in this Official Statement in order to make an informed investment decision with respect to the Certificates. There can be no assurance that other risk factors are not or will not become material in the future.

Certain Factors Affecting the District Generally

The District’s ability to make Installment payments is dependent upon the collection of water service charges. Those charges are collected with relatively consistent and predictable demands. A number of factors could adversely affect the District’s water service charge structure including, but not limited to, capital improvement needs, federal and state requirements and general economic conditions. The District has been able to adjust its rates from time to time to meet such conditions and expects to continue to have that ability.

Certificates Are Limited Obligations

The Certificates are special, limited obligations of the Corporation, payable from Revenues derived from Installment Payments. The Certificates shall not be deemed to constitute a debt or liability of the District, the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory provision, or a pledge of the faith and credit of the District, the State of California or of any political subdivision thereof, but shall be payable, except to the extent of certain available moneys pledged therefor, solely from Net Revenues. Neither the faith and credit nor the taxing power of the District, the State of California or of any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or the interest on the Certificates. The issuance of the Certificates shall not directly or indirectly or contingently obligate the District, the State of California or

any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment.

Limitations on Remedies

The enforceability of the rights and remedies of the owners of the Certificates and the Trustee, and the obligations incurred by the District, may be subject to the following: the limitations on legal remedies against cities in California; the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; principles of equity which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the U.S. Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitations or modification of their rights. Remedies may be limited since the Water System serves an essential public purpose.

Water System Demand and Growth

There can be no assurance that the local demand for the services provided by the Water System will be maintained at levels described in this Official Statement under the headings "DISTRICT WATER SYSTEM." Reduction in the level of demand could require an increase in rates or charges in order to produce Net Revenues sufficient to comply with the District's rate covenant in the Installment Sale Agreement. There can be no assurance that any other entity with regulatory authority over the Water System will not adopt further restrictions on operation of the Water System.

Water System Expenses

There can be no assurance that the District's expenses for the Water System will be consistent with the levels described in this Official Statement. Changes in technology, new regulatory requirements, increases in the cost of energy or other expenses would reduce Net Revenues, and could require substantial increases in service charges in order to comply with the rate covenant. Such rate increases could increase the likelihood of nonpayment, and could also decrease demand.

Environmental Laws and Regulations

The Water System is subject to a wide variety of local, State, and federal health and environmental laws. Among the types of regulatory requirements faced by such facilities are air and water quality control requirements. Such regulations, as they may be from time to time amended or subsequently enacted could affect the Net Revenues available to pay the Certificates.

Limited Recourse on Default

If the District defaults on its obligation to make Installment payments, the Trustee has the right to accelerate the total unpaid principal amount of the Certificates. However, in the event of a default and

such acceleration there can be no assurance that the District will have sufficient Net Revenues to pay the accelerated payments.

Limitations on Rate Setting Under the California Constitution

On November 5, 2005, the voters of the State approved Proposition 218, a constitutional initiative, entitled the “Right to Vote on Taxes Act” (“Proposition 218”). Proposition 218 added Articles XIII C and XIII D to the California Constitution and contained a number of interrelated provisions affecting the ability of local governments, including the District, to levy and collect both existing and future taxes, assessments, fees and charges.

Section 3 of Article XIII C expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. Section 3 expands the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Article XIII C to fees imposed after November 6, 2005, the effective date of Proposition 218, and absent other legal authority could result in the reduction in any existing taxes, assessments or fees and charges imposed prior to November 6, 2005.

“Fees” and “charges” are not expressly defined in Article XIII C or in SB 919, the Proposition 218 Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Article XIII C and Article XIII D (“SB 919”). However, on July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Virjil (Kelley)* (the “*Bighorn Decision*”) that charges for ongoing water delivery are property-related fees and charges within the meaning of Article XIII D and are also fees or charges within the meaning of Section 3 of Article XIII C. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIII C.

In the *Bighorn Decision*, the Supreme Court did state that nothing in Section 3 of Article XIII C authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge.

The Supreme Court further stated in the *Bighorn Decision* that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 provides that the initiative power provided for in Proposition 218 “shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after [the effective date of Proposition 218] assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution. No assurance can be given that the voters of the District will not, in the future, approve initiatives which repeal, reduce or prohibit the future imposition or increase of assessments, fees or charges, including the District’s sewer service fees and charges, which are the source of Net Revenues pledged to the payment of debt service on the Bonds or any additional Parity Obligations.

Notwithstanding the fact that sewer service charges may be subject to reduction or repeal by voter initiative undertaken pursuant to Section 3 of Article XIIC, the District has covenanted to levy and charge rates which meet the requirements of the Indenture in accordance with applicable law.

Article XIID defines a “fee” or “charge” as any levy other than an *ad valorem* tax, special tax, or assessment imposed upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property-related service. A “property-related service” is defined as “a public service having a direct relationship to a property ownership.” In the *Bighorn Decision*, the California Supreme Court held that a public water agency’s charges for ongoing water delivery are fees and charges within the meaning of Article XIID. Article XIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, the local government’s ability to increase such fee or charge may be limited by a majority protest.

The District’s sewer charge is a commodity charge based on the volume of sewer consumed. The District has ratified prior sewer rate measures and otherwise complied with the applicable notice and protest procedures of Article XIID for its current sewer rates and charges. There has not been nor is there any pending challenge to any of the District’s sewer fees and charges approved since the effective date of Proposition 218. While the District’s counsel is of the opinion, based upon the judicial precedent in place during the period of these rate increases, that a reviewing court could reasonably uphold the validity of those increases, neither the District nor the District’s counsel can predict with certainty the outcome of a challenge to the increases in the District’s sewer rates and charges that were not approved in accordance with the notice and hearing requirements of Article XIID if one were brought.

In addition, Article XIID also includes a number of limitations applicable to fees and charges including provisions to the effect that (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIC of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (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 for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) A fine, penalty, or other monetary charge

imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Article XIIIID establishes procedural requirements for the imposition of assessments, which are defined as any charge upon real property for a special benefit conferred upon the real property. Standby charges are classified as assessments. Procedural requirements for assessments under Article XIIIID include conducting a public hearing and mailed protest procedure, with notice to the record owner of each parcel subject to the assessment. The assessment may not be imposed if a majority of the ballots returned oppose the assessment, with each ballot weighted according to the proportional financial obligation of the affected parcel.

Existing, new or increased assessments are subject to the procedural provisions of Proposition 218. However, certain assessments existing on November 6, 2005, are classified as exempt from the procedures and approval process of Article XIIIID. Expressly exempt assessments include (i) an assessment imposed exclusively to finance capital costs or Operation and Maintenance expenses for sewers, water, flood control and drainage systems, but subsequent increases are subject to the procedures and approval requirements; (ii) an assessment imposed pursuant to a petition signed by all affected landowners (but subsequent increases are subject to the procedural and approval requirements); (iii) assessments, the proceeds of which are used exclusively to pay bonded indebtedness, where failure to pay would violate the U.S. Constitution's prohibition against the impairment of contracts; and (iv) any assessment which has previously received approval by a majority vote of the voters (but subsequent increases are subject to the procedural and approval requirements).

On July 14, 2008, the California Supreme Court ruled in *Silicon Valley Taxpayers Association, Inc. v. Santa Clara County Open Space City* (the "SCCOSA Decision") that the Santa Clara County Open Space City's county-wide assessment which was designed to fund the acquisition and maintenance of unspecified open-space lands in the County was invalid under Proposition 218. The Court held that deference should not be accorded to local agencies when Proposition 218 legislative acts are challenged. Under Proposition 218, courts must make an independent review of whether the assessment and formation of an assessment district meet the "special benefit" and proportionality requirements of Article XIIIID. Further, while an assessment will not be invalidated because it confers a benefit upon the public at large, the "special benefit" must affect the assessed property in a distinct and particular manner not shared by other parcels and the public at large. Specifically, in the *SCCOSA* Decision the assessment did not meet the requirements of a "special benefit" and the assessment was not proportional to the special benefits conferred. Finally, the Court held that the Santa Clara Open Space City did not meet the proportionality requirement of Article XIIIID because it did not specifically identify the improvements to be financed by the assessment and failed to sufficiently connect any costs of and benefits received from the open space assessment to the specific assessed parcels.

The District and the District's counsel are of the opinion that current sewer fees and charges that are subject to Proposition 218 comply with the provisions thereof. The District and the District's counsel are also of the opinion that current sewer capacity fees are not subject to Proposition 218. Should it become necessary to increase the sewer fees and charges above current levels, the District would be

required to comply with the requirements of Article XIID in connection with such proposed increase. To date, there have been no legal challenges to sewer rate increases implemented by the District pursuant to Proposition 218 or otherwise. It is unclear whether under existing standards, rates and charges may be established at levels which would permit deposits to a Rate Stabilization Fund or maintenance of uncommitted cash reserves.

The interpretation and application of Proposition 218 will ultimately be determined by the courts or through implementing legislation with respect to a number of the matters described above, and it is not possible at this time to predict with certainty the outcome of such determination or the nature or scope of any such legislation.

Limitations on Remedies Available

The ability of the District to comply with its covenants under the Installment Sale Agreement and to generate Net Revenues sufficient to pay principal of and interest on the Certificates may be adversely affected by actions and events outside of the control of the District, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See “Proposition 218” below. Furthermore, any remedies available to the owners of the Certificates upon the occurrence of an event of default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Owner remedies contained in the Indenture, the rights and obligations under the Certificates and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Future Initiatives

Articles XIIC and XIID were adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time other initiatives could be proposed and adopted affecting Net Revenues or the District’s ability to increase its rates for water service.

Loss of Tax-Exemption

As discussed under the caption “TAX MATTERS,” interest with respect to the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date of execution and delivery of Certificates as a result of future acts or omissions of the District in violation of certain covenants contained in the Indenture. Should such an event of taxability occur, the Certificates are

not subject to special redemption or any increase in interest rate and will remain outstanding until maturity or until redeemed pursuant to the Indenture.

Secondary Market

There can be no guarantee that there will be a secondary market for the Certificates or, if a secondary market exists, that any Certificates can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of owners and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Wastewater System by not later than nine months following the end of the District's fiscal year (currently ending June 30) (the "Annual Report"), commencing with the report for the fiscal year ended June 30, 2016, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the District with the Municipal Securities Rulemaking Board through the Electronic Municipal Access (EMMA) System. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is summarized below under the caption APPENDIX C—PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The District has no prior obligations to provide continuing disclosure information under the Rule.

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Certificates, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The District has covenanted to comply with all requirements that must be satisfied in order for the interest with respect to the Certificates to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest with respect to the Certificates to become includable in gross income for federal income tax purposes retroactively to the date of delivery of the Certificates.

Subject to the District's compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Special Counsel, interest with respect to the Certificates is excludable from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest with respect to the Certificates is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Special Counsel will rely upon certifications of the District with respect to certain material facts within its knowledge. Special Counsel's opinion represents its legal judgment

based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the “Code”), includes provisions for an alternative minimum tax (“AMT”) for corporations in addition to the corporate regular tax in certain cases. The AMT for a corporation, if any, depends upon the corporation’s alternative minimum taxable income (“AMTI”), which is the corporations’ taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation’s “adjusted current earnings” over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). “Adjusted current earnings” would generally include certain tax-exempt interest, but not interest with respect to the Certificates.

Ownership of the Certificates may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Certificates should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the “Issue Price”) for each maturity of the Certificates is the price at which a substantial amount of such maturity of the Certificates is first sold to the public. The Issue Price of a maturity of the Certificates may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

Owners of Certificates who dispose of Certificates prior to the stated maturity (whether by sale, redemption or otherwise), purchase Certificates in the initial public offering, but at a price different from the Issue Price, or purchase Certificates subsequent to the initial public offering, should consult their own tax advisors.

If a Certificate is purchased at any time for a price that is less than the Certificate’s stated redemption price at maturity (the “Reduced Issue Price”), the purchaser will be treated as having purchased a Certificate with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Certificate is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser’s election, as it accrues. Such treatment would apply to any purchaser who purchases a Certificate for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Certificate. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Certificates.

An investor may purchase a Certificate at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as “bond premium” and must be amortized by an investor on a constant yield basis over the remaining term of the Certificate in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor’s basis in the Certificate. Investors who purchase a Certificate at a premium should consult their own tax advisors regarding the amortization of

bond premium and its effect on the Certificate's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Certificate.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal tax legislation. Special Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Certificates. If an audit is commenced, under current procedures the Service may treat the Issuer as a taxpayer and the Owners may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Certificates until the audit is concluded, regardless of the ultimate outcome.

Payments of interest with respect to, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Certificates, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Certificate owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Certificate owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Special Counsel, interest with respect to the Certificates is exempt from California personal income taxes.

Ownership of the Certificates may result in other state and local tax consequences to certain taxpayers. Special Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Certificates. Prospective purchasers of the Certificates should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Special Counsel expects to deliver upon the delivery of the Certificates is set forth in APPENDIX C — FORM OF FINAL OPINION OF SPECIAL COUNSEL.

MUNICIPAL ADVISOR

The District has retained Wulff, Hansen & Co., San Francisco, California, as municipal advisor (the "Municipal Advisor") in connection with the execution and delivery of the Certificates. The Municipal Advisor has assisted the District in the review of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the Certificates. The Municipal Advisor has not audited, authenticated or otherwise independently verified any of the data contained herein. The Municipal Advisor has not conducted a detailed investigation of the affairs of the District to determine the

accuracy or completeness of disclosure information contained in this Official Statement. Due to its limited participation, the Municipal Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein and offers no guaranty, warranty or other representation respecting the accuracy and completeness of this Official Statement. The fees of the Municipal Advisor are contingent upon the sale and delivery of the Certificates.

CERTAIN LEGAL MATTERS

Quint & Thimmig LLP, Larkspur, California, Special Counsel, will render an opinion with respect to the validity and enforceability of the Installment Sale Agreement, the Trust Agreement and the Assignment Agreement, the form of which opinion is set forth in Appendix C. Certain disclosure matters will be passed upon by for the District by Quint & Thimmig LLP, Larkspur, California, Disclosure Counsel. Certain matters will be passed upon by for the District by Hanson Bridgett LLP, San Francisco, California.

ABSENCE OF LITIGATION

There is no litigation pending against the District, nor, to the knowledge of the officers or attorneys of the District, threatened, in any court or other tribunal of competent jurisdiction, state or federal, in any way (i) restraining or enjoining the execution, sale or delivery of any of the Certificates, or (ii) questioning or affecting the validity of the Certificates or (iii) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution or delivery of the Certificates, or (iv) questioning or affecting the validity or enforceability of the Installment Sale Agreement or Trust Agreement, or (v) questioning or affecting the operation of the Water System or the pledge of the Net Revenues, or the collection of the payments to be made pursuant to the Installment Sale Agreement.

RATING

S&P Global Ratings (“S&P”) has assigned the rating of “___” to the Certificates. This rating reflects only the views of S&P and an explanation of the significance of such rating may be obtained from S&P. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P, if in the judgment of the S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

UNDERWRITING

Following a competitive sale, the Certificates will be purchased by _____ (the “Underwriter”). The Underwriter will agree to purchase the Certificates at a price of \$ _____ (representing an aggregate principal amount of the Certificates of \$ _____, plus a net original issue premium of \$ _____, and less an Underwriter’s discount of \$ _____). After a bona fide initial public offering at the price stated on the inside cover page hereof, the Underwriter may offer and sell the Certificates to certain dealers and others at prices lower than the initial public offering price. The offering price may be changed from time to time by the Underwriter.

AVAILABILITY OF DOCUMENTS

Copies of the Installment Sale Agreement, the Trust Agreement and the Assignment Agreement will be available, upon written request, from the General Manager of the Mid-Peninsula Water District, 3 Dairy Lane, Belmont, CA 94002 (650) 591-8941

MISCELLANEOUS

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Certificates.

The execution and delivery of this Official Statement has been duly authorized by the District.

MID-PENINSULA WATER DISTRICT

By _____
General Manager

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APPENDIX A
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

[TO COME]

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APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF
THE MID-PENINSULA WATER DISTRICT
FOR THE YEAR ENDED JUNE 30, 2015**

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APPENDIX C

FORM OF FINAL OPINION OF SPECIAL COUNSEL

[Closing Date]

Board of Directors of the
Mid-Peninsula Water District
3 Dairy Lane
Belmont, California 94002

OPINION: \$ _____ * Certificates of Participation (2016 Financing Project), Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Installment Payments to be Made by the Mid-Peninsula Water District (San Mateo County, California), As the Purchase Price for Certain Property Pursuant to an Installment Sale Agreement with the Public Property Financing Corporation of California

Members of the Board of Directors of the District:

We have acted as special counsel in connection with the delivery by the Mid-Peninsula Water District (the "District"), of its \$ _____ * Installment Sale Agreement, dated as of December 1, 2016, by and between the Public Property Financing Corporation of California (the "Corporation") and the District (the "Installment Sale Agreement"), pursuant to the California Water Code. The Corporation has, pursuant to the Assignment Agreement, dated as of December 1, 2016 (the "Assignment Agreement"), by and between the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), assigned certain of its rights under the Installment Sale Agreement, including its right to receive installment payments made by the District thereunder (the "Installment Payments"), to the Trustee. Pursuant to the Trust Agreement, dated as of December 1, 2016, by and among the Trustee, the Corporation and the District (the "Trust Agreement"), the Trustee has executed and delivered certificates of participation (the "Certificates") evidencing direct, undivided fractional interests of the owners thereof in the Installment Payments. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Installment Sale Agreement and the Trust Agreement and in the certified proceedings and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The District is duly created and validly existing as a water district with the power to enter into the Installment Sale Agreement and the Trust Agreement and to perform the agreements on its part contained therein.
2. The Installment Sale Agreement has been duly authorized, executed and delivered by the District and is an obligation of the District valid, binding and enforceable against the District in accordance with its terms.
3. The Trust Agreement and the Assignment Agreement are valid, binding and enforceable in accordance with their terms.

* Preliminary, subject to change.

4. Subject to the terms and provisions of the Installment Sale Agreement, the Installment Payments to be made by the District are payable from a first and prior lien on Net Revenues of the Water System (as such terms are defined in the Installment Sale Agreement) on a parity with certain outstanding obligations. By virtue of the Assignment Agreement, the owners of the Certificates are entitled to receive their fractional share of the Installment Payments in accordance with the terms and provisions of the Trust Agreement.

5. Subject to the District's compliance with certain covenants, the portion of the Installment Payments designated as and comprising interest and received by the owners of the Certificates is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but we express no opinion as to whether the portion of the Installment Payments designated as and comprising interest is taken into account in computing adjusted current earnings which is used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause the portion of the Installment Payments designated as and comprising interest to be includable in gross income for federal income tax purposes retroactively to the date of delivery of the Certificates.

6. The portion of the Installment Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

Ownership of the Certificates may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Certificates.

The rights of the owners of the Certificates and the enforceability of the Trust Agreement and the Installment Sale Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

With respect to the opinions expressed herein, the enforceability of the Installment Sale Agreement is subject to the limitations on the imposition of certain fees and charges by the District related to the Water System under Articles XIIIIC and XIIID of the California Constitution. In addition, the rights of the owners of the Certificates and the enforceability of the Trust Agreement and the Installment Sale Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the District and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by the MID-PENINSULA WATER DISTRICT (the “District”) in connection with the execution and delivery of \$ _____ * Mid-Peninsula Water District (San Mateo County, California) Certificates of Participation (2016 Financing Project) (the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2016, by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), the District and the Public Property Financing Corporation of California (the “Trust Agreement”). Pursuant to Section 11.08 of the Trust Agreement, the District covenants and agree as follows:

Section 1. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

“*Annual Report*” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Beneficial Owner*” shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificates for federal income tax purposes.

“*Dissemination Agent*” shall mean _____ or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. In the absence of such a designation, the District shall act as the Dissemination Agent.

“*EMMA*” or “*Electronic Municipal Market Access*” means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

“*Listed Events*” shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Participating Underwriter*” shall mean any original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

“*Rule*” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the owners and Beneficial Owners of the Certificates and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

* Preliminary, subject to change.

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report.* The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently ends on December 31), commencing with the report for the 2015-16 Fiscal Year, which is due not later than March 31, 2017, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year.* If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent.* Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

(d) *Report of Non-Compliance.* If the District is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the District shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the District is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification.* The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

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

(a) *Financial Statements.* Audited financial statements of the District for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the District, the Annual Report shall also include financial and operating data with respect to the District for preceding fiscal year, as follows:

- (1) Ten largest customers by revenue.
- (2) Ten largest customers by consumption.

- (3) Water rates.
- (4) Debt service coverage ratio.

(c) *Cross References.* 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 EMMA. The District shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, 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.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The District shall, or shall cause the Dissemination Agent (if not the District) to, give notice of the occurrence of any of the following events with respect to the Certificates:

- (1) Principal and interest payment delinquencies.
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (4) Substitution of credit or liquidity providers, or their failure to perform.
- (5) Defeasances.
- (6) Rating changes.
- (7) Tender offers.
- (8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (9) 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.

Note: For the purposes of the event identified in subparagraph (8), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. 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 obligated person, or if such jurisdiction has been assumed by leaving the existing governmental 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 obligated person.

(b) *Material Reportable Events.* The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material:

- (1) Non-payment related defaults.
- (2) Modifications to rights of security holders.
- (3) Bond calls.
- (4) The release, substitution, or sale of property securing repayment of the securities.
- (5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the 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.

- (6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* The District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of any Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Certificates under the Trust Agreement.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent.

(a) *Appointment of 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. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Certificate owner, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the District.

(b) *Compensation of Dissemination Agent.* The Dissemination Agent shall be paid reasonable compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all reasonable expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent.* In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the District to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the District under Section 3. The Dissemination Agent shall have no liability of any kind whatsoever to the Corporation, or any other person or entity, arising from or related to the failure of the Dissemination Agent to provide such request to the Corporation.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

(a) *Change in Circumstances.* If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), 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 Certificates, or the type of business conducted.

(b) *Compliance as of Issue Date.* The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) *Consent of Holders; Non-impairment Opinion.* The amendment or waiver either (i) is approved by the Certificate owners in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Certificate owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Certificate owners or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the District shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Certificate owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including attorneys' fees and expenses) of defending against any claim

of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Trustee under the Trust Agreement. The obligations of the District under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

The Dissemination Agent agrees to accept and act upon instructions or directions pursuant to this Disclosure Certificate sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Dissemination Agent shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the District or the City elects to give the Dissemination Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Dissemination Agent in its discretion elects to act upon such instructions, the Dissemination Agent's understanding of such instructions shall be deemed controlling. The Dissemination Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Dissemination Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District and the City agree: (i) to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Dissemination Agent, including without limitation the risk of the Dissemination Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting instructions to the Dissemination Agent and that there may be more secure methods of transmitting instructions than the method(s) selected by the District or the City; and (iii) that the security procedures (if any) to be followed in connection with its transmission of instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the owners and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 14. Governing Law. This Disclosure Certificate shall be governed by the laws of the state of California.

Date: [Closing Date]

MID-PENINSULA WATER DISTRICT

By _____
Authorized Officer

ACKNOWLEDGED:

_____, as Dissemination Agent

By _____
Authorized Officer

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Mid-Peninsula Water District

Name of Issue: Certificates of Participation (2016 Financing Project) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Installment Payments to be Made by the Mid-Peninsula Water District (San Mateo County, California), As the Purchase Price for Certain Property Pursuant to an Installment Sale Agreement with the Public Property Financing Corporation of California

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated [Closing Date], furnished by the District in connection with the Issue. The District anticipates that the Annual Report will be filed by _____.

Date: _____

_____, Dissemination Agent

By _____
Authorized Officer

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APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix E has been provided by The Depository Trust Company (“DTC”), New York, NY, for use in securities offering documents, and City takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Certificates or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Certificates, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. DTC will act as securities depository for the Certificates (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 is rated AA+ by Standard & Poor’s. 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.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such

other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer or the paying agent or bond 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 nor its nominee, the paying agent or bond trustee, or the issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer or the paying agent or bond 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.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the issuer or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

