



Our Region's Trusted Water Leader
San Diego County Water Authority

4677 Overland Avenue
San Diego, California 92123

AGENDA
SPECIAL BOARD OF DIRECTORS' MEETING

The mission of the San Diego County Water Authority is to provide a safe and reliable supply of water to its member agencies serving the San Diego region.

June 11, 2019
1:00 p.m. – Board Room

1. Call to Order.
2. Salute to the flag.
3. Roll call, determination of quorum.
3-A Report on proxies received.
4. Opportunity for members of the public who wish to address the Board on matters within the Board's jurisdiction.

5. **PRESENTATION**

Update on Potential De-Annexation Issue.

Mark Hattam

6. **ACTION / DISCUSSION / INFORMATION**

Liquidity Facilities Supporting the Water Authority Tax Exempt Commercial Paper Program.

Staff recommendations:

- a) Adopt Resolution 2019-__ authorizing the issuance and sale of short-term revenue certificates, approving Bank of the West as the liquidity provider for the Series 10 Commercial Paper Notes and authorizing and approving certain actions in connection therewith; and
- b) Adopt Resolution 2019-__ authorizing the extension of the term of a liquidity agreement with Bank of America, N.A., as the liquidity provider for the Series 9 Commercial Paper Notes program and authorizing and approving certain actions in connection therewith. (Action)

7. **CLOSED SESSION**

8. **ACTION FOLLOWING CLOSED SESSION**



Our Region's Trusted Water Leader
San Diego County Water Authority

9. OTHER COMMUNICATIONS

10. ADJOURNMENT

Melinda Nelson
Clerk of the Board

NOTE: All public documents provided to the Board for this meeting including materials relating to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.

June 5, 2019

Attention: Board of Directors

Liquidity Facilities Supporting the Water Authority Tax Exempt Commercial Paper Program. (Action)

Staff recommendation

1. Adopt Resolution 2019-__ authorizing the issuance and sale of short-term revenue certificates, approving Bank of the West as the liquidity provider for the Series 10 Commercial Paper Notes and authorizing and approving certain actions in connection therewith; and
2. Adopt Resolution 2019-__ authorizing the extension of the term of a liquidity agreement with Bank of America, N.A., as the liquidity provider for the Series 9 Commercial Paper Notes program and authorizing and approving certain actions in connection therewith.

Alternative

1. The Board may choose not to approve the recommended liquidity provider for the Series 10 Commercial Paper Notes and direct staff to select one or more alternative liquidity providers.
2. The Board may choose not to approve the extension of the term of the liquidity agreement with Bank of America, N.A., for Series 9 Commercial Paper notes.

Fiscal Impact

The recommended debt management actions collectively reduce the estimated annual cost of the short-term debt portfolio's bank fees by \$190,000 per year. These savings are the result of lower fees and would be locked in for five years in the case of the Series 10 Tax Exempt Commercial Paper Notes (Series 10 CP Notes), and three years for the Series 9 Tax Exempt Commercial Paper Notes (Series 9 CP Notes). The recommended actions will impact the Customer Service, Storage, Supply, Treatment and Transportation water rate categories.

Background

As described in the Long-Range Financing Plan, the Water Authority funds its Capital Improvement Program with a combination of long-term fixed-rate debt, variable rate debt and available cash. As of June 30, 2018, outstanding debt consists of \$1.836 billion in long-term debt (Certificates of Participation and Revenue Bonds), and \$345 million in variable rate debt (Tax-Exempt Commercial Paper and Extendable Commercial Paper).

The Water Authority has worked hard to take advantage of the recent favorable interest rate environment. In the last year, the Water Authority executed a long-term debt refunding that yielded a total savings of nearly \$18 million dollars in debt service on a present value basis. In addition, the short-term debt portfolio has been restructured over the past several years to take advantage of low short-term rates, lower Tax-Exempt Commercial Paper (TECP) liquidity facility costs and to introduce Extendable Commercial Paper (ECP) to the debt portfolio.

The Water Authority continues to actively manage its debt portfolio, which has resulted in a low cost of funds.

The Water Authority currently has two series of TECP and one series of ECP currently outstanding. The Series 8 Tax Exempt Commercial Paper Notes (Series 8 CP Notes) are currently outstanding in the aggregate principal amount of \$110 million with liquidity provided by a line of credit from The Bank of Tokyo-Mitsubishi, UFJ, Ltd., acting through its New York Branch. The liquidity agreement for the Series 8 CP Notes terminates on June 26, 2019. The Series 9 CP Notes are currently outstanding in the aggregate principal amount of \$135 million with liquidity provided by a line of credit from Bank of America, N.A. The liquidity agreement for the Series 9 CP Notes terminates on July 17, 2020. The Series 1 Extendable Commercial Paper Notes are currently outstanding in the aggregate principal amount of \$100 million.

The dealers who place the TECP with investors are: BofA Securities, Inc., Citigroup Global Markets Inc., Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, Loop Capital Markets LLC, Morgan Stanley & Co. LLC, and RBC Capital Markets LLC. Dealer diversification limits the TECP program's exposure to a single dealer and allows the Water Authority better assess dealer performance.

Previous Board Action

On May 23, 2019, the Board deferred this item for consideration in order to update the offering memorandums to reflect information the Water Authority had received regarding the potential withdrawal of Rainbow Municipal Water District and Fallbrook Public Utility District from the Water Authority. The updated language can be found in Attachment 3, page 6, and Attachment 4, page 7.

On February 27, 2014, the Board approved a liquidity agreement with The Bank of Tokyo-Mitsubishi, UFJ, Ltd., acting through its New York Branch, for the Series 8 CP Notes. On April 27, 2017, the Board approved an extension of such liquidity agreement.

On February 25, 2016, the Board approved a liquidity agreement with Bank of America, N.A., for the Series 9 CP Notes. On October 26, 2017, the Board approved an extension of such liquidity agreement.

Discussion

Approve the selection of Bank of the West as the liquidity provider for the Series 10 Tax-Exempt Commercial Paper program and authorize the issuance and sale of short-term revenue certificates and related actions

On February 7, 2019, a Request for Proposals was issued through The Network Bid System to 34 vendors soliciting bids for a liquidity agreement to replace the liquidity agreement for the Series 8 CP Notes. Of the 34 vendors seventeen viewed the request, and five submitted proposals. Four proposals offered liquidity for TECP and one offered alternative debt products. The firms offering liquidity included Bank of America N.A., Wells Fargo Bank, Bank of the West, and Sumitomo Mitsui Banking Corporation. Goldman Sachs proposed alternative debt products.

In connection with the Series 10 CP Notes, staff evaluated the proposals based upon the following criteria:

1. Fees and overall cost;
2. Terms and conditions;
3. Bank credit ratings;
4. Trading value (penalty or discount) includes consideration of scarcity value (*i.e.* how much existing public finance exposure each bank has);
5. Bank commitment to the public finance market; and
6. Diversification of banks supporting the TECP program.

Taking into account the proposed terms and conditions of the banks' proposals and the Water Authority's goal of maintaining diversification in the banks supporting the TECP program, staff is recommending that the Water Authority select the Bank of the West to provide a line of credit to support the Series 10 CP Notes, which will replace the existing line of credit supporting the Series 8 CP Notes. The facility annual fee for this series will go from 35 bps to 30 bps, which results in an annual savings of \$55,000.

Approve the extension of Bank of America N.A. as the liquidity provider and authorize the issuance and sale of short-term revenue certificates and related actions

In connection with the Series 9 CP Notes, staff is recommending the extension of the Bank of America N.A. liquidity agreement for three reasons:

1. The fees proposed by the bank are lower than the fees currently paid by the Water Authority by 10 basis points¹ (bps);
2. Issuance costs are minimized since no significant changes to the agreement must be made; and
3. The bank supported TECP trades well and has a history of solid performance.

The recommendation maintains the current level of bank diversification and minimizes the impact any single institution can have on the program's performance. A renewal for an additional three-year term keeps the maturity of the TECP facility's spread out so that market risk is also diversified. The facility annual fee for this series will be reduced from 38 bps to 28 bps, which results in an annual savings of \$135,000. The cost associated with procuring and executing a new bank contract would significantly exceed the additional annual cost and fees associated with this extension. No change to the TECP dealers or allocations is recommended.

Documents to be approved

In connection with the Series 10 CP Notes, which will replace the Series 8 CP Notes, the Water Authority will execute and deliver an Issuing and Paying Agent Agreement with U.S. Bank National Association, a Liquidity Agreement and Fee Letter with Bank of the West, Dealer Agreements with each of the dealers listed herein and an Offering Memorandum for the Series 10 CP Notes. A description of each document is provided below.

¹ 100 basis points equals 1%

Issuing and Paying Agent Agreement

The Issuing and Paying Agent Agreement sets forth the terms pursuant to which the Series 10 CP Notes are issued. The form of Issuing and Paying Agent Agreement is on file with the clerk of the Board.

Liquidity Agreement and Fee Letter with Bank of the West

The Liquidity Agreement evidences the bank's commitment to provide liquidity to the Water Authority if the dealers cannot find any investors for the maturing Series 10 CP Notes. The Liquidity Agreement contains the terms for, among other things, making advances and term loans, payment of fees, events of default and remedies. The Liquidity Agreement with Bank of the West is expected to terminate on June 19, 2024.

Dealer Agreements

The form of Dealer Agreement sets forth the terms pursuant to which a Dealer will solicit purchases of the Series 10 CP Notes allocated to such Dealer. The form of Dealer Agreement is on file with the clerk of the Board.

Offering Memorandum for Series 10 CP Notes

The Offering Memorandum (OM) for the Series 10 CP Notes serves two purposes. It is used by dealers to solicit investor interest and to satisfy the Water Authority's obligations under applicable securities laws with respect to disclosure. The OM provides potential TECP investors with information to make an informed investment decision. To this end, the OM provides detailed information about the Liquidity Agreement and the bank securing the Series 10 CP Notes, as well as general and financial information regarding the Water Authority. Because TECP is a short-term debt instrument, the OM is focused more on the Liquidity Agreement and the bank than on information pertaining to the Water Authority. The form of the OM for the Series 10 CP Notes is provided as (Attachment 4).

In connection with the Series 9 CP Notes, the Water Authority will execute and deliver amendments to the existing Liquidity Agreement and Fee Letter with Bank of America, N.A., and an amendment to the Offering Memorandum for the Series 9 CP Notes. A description of each document is provided below.

Second Amendment to Liquidity Agreement and Fee Letter with Bank of America, N.A.

The Liquidity Agreement evidences the bank's commitment to provide liquidity to the Water Authority if the dealers cannot find any investors for the maturing Series 9 CP Notes. The Liquidity Agreement contains the terms for, among other things, making advances and term loans, payment of fees, events of default and remedies. The Liquidity Agreement with Bank of America, N.A., as amended, is expected to terminate on June 17, 2022.

Amendment to Offering Memorandum for Series 9 CP Notes

The OM for the Series 9 CP Notes serves two purposes. It is used by dealers to solicit investor interest and to satisfy the Water Authority's obligations under applicable securities laws with respect to disclosure. The OM provides potential TECP investors with information to make an informed investment decision. To this end, the OM provides detailed information about the Liquidity Agreement and the bank securing the Series 9 CP Notes, as well as general and financial information regarding the Water Authority. Because TECP is a short-term debt instrument, the OM is focused more on the Liquidity Agreement and the bank than on information pertaining to the Water Authority. The form of the OM for the Series 9 CP Notes is provided as (Attachment 3).

In approving Resolution 2019-__ the Board will take the following actions:

- Authorize the issuance of Series 10 CP Notes through June 19, 2024;
- Approve the forms of the principle transaction documents including:
 - OM for the Series 10 CP Notes
 - On file with the clerk of the Board and available upon request:
 - Liquidity Agreement and Fee Letter
 - Issuing and Paying Agent Agreement
 - Form of Dealer Agreement
- Delegate to Water Authority officers the authority to finalize, execute and deliver the documents, and complete the transaction. Water Authority officers include the Chair of the Board, the General Manager, and the Director of Finance/Treasurer

In approving Resolution 2019-__ the Board will take the following actions:

- Authorizing the amendment of the existing Liquidity Agreement with Bank of America to extend the term to June 17, 2022 and to adjust the fee downward by 10 bps.
- Approve the forms of the principal transaction documents including:
 - Amended OM for the Series 9 CP Notes
 - On file with the clerk of the Board and available upon request:
 - Second Amendment to Liquidity Agreement and Fee Letter
- Delegate to Water Authority officers the authority to finalize, execute and deliver the documents, and complete the transaction. Water Authority officers include the Chair of the Board, the General Manager, and the Director of Finance/Treasurer

Prepared by: David Gore, Senior Management Analyst

Reviewed by: Lisa Marie Harris, Director of Finance/Treasurer

Approved by: Dan Denham, Assistant General Manager

Attachments:

Attachment 1 - Water Authority Resolution Extending Series 9 TECP Program

Attachment 2 - Water Authority Resolution Establishing Series 10 TECP Program

Attachment 3 - Form of the Offering Memorandum for Series 9 CP Notes

Attachment 4 - Form of the Offering Memorandum for Series 10 CP Notes

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY AUTHORIZING THE EXTENSION OF THE TERM OF A LIQUIDITY AGREEMENT AND THE AMENDMENT OF A FEE LETTER AND APPROVING CERTAIN ACTIONS IN CONNECTION THEREWITH

WHEREAS, the San Diego County Water Authority, a county water authority duly organized and existing under and pursuant to the Constitution and laws of the State of California (the “Water Authority”), is authorized under provisions of the Constitution and laws of the State of California, and in accordance therewith, to incur indebtedness through the issuance of short-term revenue certificates; and

WHEREAS, the Board of Directors of the Water Authority (the “Board”) has previously authorized the issuance, from time to time, of \$135,000,000 aggregate principal amount of San Diego County Water Authority Commercial Paper Notes, Series 9 (the “Series 9 Notes”); and

WHEREAS, to provide liquidity for the Series 9 Notes, the Water Authority has entered into a Revolving Credit and Term Loan Agreement, as amended by the First Amendment to Revolving Credit and Term Loan Agreement (collectively, the “Series 9 Liquidity Agreement”), with Bank of America, N.A. (the “Bank”), and an Amended and Restated Fee Letter with the Bank relating thereto (the “Fee Letter”); and

WHEREAS, the Board has determined that it is in the best interest of the Water Authority to provide for the amendment of the Series 9 Liquidity Agreement to extend the term of such agreement by three years; and

WHEREAS, there have been presented to this meeting and placed on file with the Executive Secretary of the Water Authority a form of Second Amendment to Revolving Credit and Term Loan Agreement (the “Form of Series 9 Liquidity Agreement Amendment”) and a form of Second Amended and Restated Fee Letter (the “Form of Fee Letter Amendment”), each between the Water Authority and the Bank;

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the amending of the Series 9 Liquidity Agreement and the Fee Letter do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Water Authority is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Diego County Water Authority as follows:

Section 1. Findings. The Water Authority hereby specifically finds and declares that the statement, findings and determinations of the Water Authority set forth in the preambles of the documents approved herein are true and correct, and that the foregoing recitals are true and correct and the Water Authority hereby so finds and determines.

Section 2. Amendment of Series 9 Liquidity Agreement. The Form of Series 9 Liquidity Agreement Amendment is hereby approved. The Chair or Vice Chair of the Board or the General Manager or Director of Finance/Treasurer of the Water Authority (the “Authorized Officers”) are each hereby authorized and directed to execute and deliver an amendment to the Series 9 Liquidity Agreement in substantially such form, with any changes, additions and completions thereto as such Authorized Officer, with the concurrence of the General Counsel of the Water Authority, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. Amendment of Fee Letter. The Form of Fee Letter Amendment is hereby approved. The Authorized Officers are each hereby authorized and directed to execute and deliver an amendment to the Fee Letter in substantially such form, with any changes, additions and completions thereto as such Authorized Officer, with the concurrence of the General Counsel of the Water Authority, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. Amendment of the Offering Memorandum. The General Manager of the Water Authority and the Director of Finance/Treasurer of the Water Authority are each hereby authorized and directed to approve the distribution of an Offering Memorandum for the Series 9 Notes, amended to reflect the extension of the term of the Series 9 Liquidity Agreement Amendment, and with any other changes or additions thereto as such officer may require or approve.

Section 5. Additional Authorization. The Authorized Officers, and all officers, agents and employees of the Board or the Water Authority, are authorized and directed to do any and all things necessary, and to execute and deliver any and all certificates, requisitions, agreements, notices, consents, and other documents, which they may deem necessary or advisable in order to amend the Series 9 Liquidity Agreement and the Fee Letter and to effect the purposes of this Resolution, and any such actions previously taken by the aforementioned officers are hereby ratified, confirmed and approved.

Section 6. Delegation of Authority. The authority of the General Manager, Director of Finance/Treasurer, General Counsel and Clerk of the Board under this Resolution may be delegated as provided in the Administrative Code of the Water Authority.

Section 7. Effective Date. The effective date of this Resolution shall be the date of its adoption.

PASSED, APPROVED AND ADOPTED, this 11th day of June, 2019:

AYES: Unless noted below all Directors voted aye.

NOES:

ABSTAIN:

ABSENT:

Jim Madaffer, Chair

ATTEST:

Christy Guerin, Secretary

I, Melinda Nelson, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2019-_____ was duly adopted at the meeting of the Board of Directors on the date stated above.

Melinda Nelson, Clerk
Clerk of the Board

RESOLUTION NO. 2019-_____

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY AUTHORIZING THE ISSUANCE AND SALE OF SHORT-TERM REVENUE CERTIFICATES AND AUTHORIZING AND APPROVING CERTAIN ACTIONS IN CONNECTION THEREWITH

WHEREAS, the San Diego County Water Authority, a county water authority duly organized and existing under and pursuant to the Constitution and laws of the State of California (the “Water Authority”), is authorized under provisions of the Constitution and laws of the State of California, and in accordance therewith, to incur indebtedness through the issuance of short-term revenue certificates; and

WHEREAS, the Board of Directors of the Water Authority (the “Board”) adopted, on May 11, 1989, and amended on December 11, 1997, and December 17, 2009, Resolution No. 89-21 of the Water Authority providing for the allocation of water system revenues and establishing covenants to secure the payment of obligations payable from the net water revenues (the “General Resolution”); and

WHEREAS, the Board has previously authorized the issuance, from time to time, of \$110,000,000 aggregate principal amount of San Diego County Water Authority Commercial Paper Notes, Series 8 (the “Series 8 Notes”); and

WHEREAS, the Board has determined that it is in the best interest of the Water Authority to provide for the issuance of an additional series of short-term revenue certificates (the “Series 10 Notes”) to refund all of the Series 8 Notes; and

WHEREAS, there have been presented to this meeting and placed on file with the Executive Secretary of the Water Authority the following documents;

- (1) A form of revolving credit and term loan agreement (the “Form of Liquidity Agreement”);
- (2) A form of fee letter relating to the revolving credit and term loan agreement (the “Form of Fee Letter”);
- (3) A form of dealer agreement (the “Form of Dealer Agreement”);
- (4) A form of issuing and paying agent agreement (the “Form of Issuing and Paying Agent Agreement”); and
- (5) A form of offering memorandum (the “Form of Offering Memorandum”); and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and

in connection with the entering into or amending of an issuing and paying agent agreement providing for the issuance of Series 10 Notes and the consummation of the financing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Water Authority is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Diego County Water Authority as follows:

Section 1. Findings. The Water Authority hereby specifically finds and declares that the statements, findings and determinations of the Water Authority set forth in the preambles of the documents approved herein are true and correct, and that the foregoing recitals are true and correct and the Water Authority hereby so finds and determines.

Section 2. Issuance of Series 10 Notes: Terms of Series 10 Notes. The Board hereby authorizes the issuance, from time to time, of Series 10 Notes in the aggregate principal amount not to exceed \$110,000,000 to be outstanding at any one time. The Board hereby also authorizes the issuance of Bank Notes (as such term is defined in the hereinafter defined Issuing and Paying Agent Agreement) in the aggregate principal amount not to exceed \$110,000,000 outstanding at any one time. Such Series 10 Notes and Bank Notes shall constitute “Subordinate Obligations” for purposes of the General Resolution.

Within the parameters set forth in this Resolution, each representative of the Board designated by the Board pursuant to Section 8 of this Resolution (the “Designated Representative”) is hereby delegated the authority to deliver an Issuance Request (as defined herein), to determine when Series 10 Notes shall be issued and to establish the face amount, the date, the effective interest rate, the amount of interest and the maturity date with respect to each Series 10 Note issued; provided however that no Series 10 Note shall have a term in excess of two hundred seventy (270) days. In setting such terms, the Designated Representative shall consult with the hereinafter defined Dealers designated herein and may consult with the municipal advisors of the Water Authority, if necessary, and take into account market conditions. In addition, the Designated Representative shall be authorized to certify as to certain matters relating to the Water Authority and the Series 10 Notes from time to time as may be required by the Issuing and Paying Agent Agreement, the hereinafter defined Dealer Agreements and the hereinafter defined Liquidity Agreement (collectively, the “Documents”).

Execution and delivery of each set of instructions, pursuant to the Issuing and Paying Agent Agreement, by the Designated Representative (each an “Issuance Request”), containing the maturities, the principal amounts, the purchase prices, the interest rates, the amounts of interest and the dates for each Series 10 Note to be issued at such time, within the parameters set forth in this Resolution and the Issuing and Paying Agent Agreement, shall constitute conclusive evidence of the Water Authority’s approval of such maturities, principal amounts, purchase prices, interest rates, amounts of interest and dates for such issue of Series 10 Notes.

Section 3. Form of Series 10 Notes. The Series 10 Notes and the Issuing and Paying Agent’s Certificate of Authentication to appear thereon shall be in a form appropriate to

adequately reflect the terms of such Series 10 Notes and the obligations represented thereby as are permitted or required by this Resolution and the related Issuing and Paying Agent Agreement and may have such letters, numbers or other marks of identification and such legends, endorsements and opinions thereon as may, consistent herewith, be approved by the Designated Representative.

Section 4. Approval of Form of Dealer Agreement. The Form of Dealer Agreement is hereby approved. The Chair of the Board or the General Manager or Director of Finance/Treasurer of the Water Authority (collectively, the “Authorized Officers” and individually, an “Authorized Officer”) are hereby authorized and directed to execute and deliver Dealer Agreements, in substantially such form, with any changes, additions and completions thereto as such Authorized Officer, with the concurrence of the General Counsel of the Water Authority, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof (as finally executed and delivered, the “Dealer Agreements”). The Authorized Officers are hereby authorized to appoint from BofA Securities, Inc., Citigroup Global Markets Inc., Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, Loop Capital Markets LLC, Morgan Stanley & Co. LLC and RBC Capital Markets, LLC, dealers for the Series 10 Notes (collectively, the “Dealers” and individually, a “Dealer”) in such amounts as such officers shall determine.

Section 5. Approval of Form of Issuing and Paying Agent Agreement. The Form of Issuing and Paying Agent Agreement is hereby approved. The Authorized Officers are hereby authorized and directed to execute and deliver an Issuing and Paying Agent Agreement with U.S. Bank National Association, or such other financial institution as shall be selected by the Authorized Officers (the “Issuing Paying Agent”), in substantially such form, with any changes, additions and completions thereto as such Authorized Officer, with the concurrence of the General Counsel of the Water Authority, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof (as finally executed and delivered, the “Issuing and Paying Agent Agreement”).

Section 6. Approval of Form of Liquidity Agreement. The Form of Liquidity Agreement is hereby approved. The Authorized Officers are hereby authorized and directed to execute and deliver a Liquidity Agreement with Bank of the West, or such other financial institution as shall be selected by the Authorized Officers (the “Liquidity Provider”), in substantially such form, with any changes, additions and completions thereto as such Authorized Officers, with the concurrence of the General Counsel of the Water Authority, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof (as finally executed and delivered, the “Liquidity Agreement”).

Section 7. Approval of Form of Fee Letter. The Form of Fee Letter is hereby approved. The Authorized Officers are hereby authorized and directed to execute and deliver a Fee Letter with the Liquidity Provider in substantially such form, with any changes, additions and completions thereto as such Authorized Officers, with the concurrence of the General Counsel of the Water Authority, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof (as finally executed and delivered, the “Fee Letter”).

Section 8. Approval of Form of Offering Memorandum. The Form of Offering Memorandum is hereby approved. The General Manager of the Water Authority or the Director

of Finance/Treasurer of the Water Authority is hereby authorized and directed to approve the distribution of Offering Memoranda in substantially such form with any changes, additions or completions thereto as such officer may require or approve. Each Offering Memorandum so distributed shall first be approved by the General Manager of the Water Authority or the Director of Finance/Treasurer of the Water Authority. The Dealers are hereby authorized to distribute the Offering Memoranda in final form to market the Series 10 Notes from time to time, which Offering Memoranda may include copies of the Water Authority's most recent annual audited financial statements and such other information relating to the Water Authority as the General Manager of the Water Authority or the Director of Finance/Treasurer of the Water Authority shall require or approve.

Section 9. Designated Representative. The Board hereby appoints the Director of Finance/Treasurer of the Water Authority, and such other officer or officers of the Water Authority as such officer shall from time to time designate, to serve as Designated Representatives of the Water Authority. The Designated Representatives shall be authorized and each of whom are hereby directed to perform those duties set forth in the Documents including, without limitation, the execution of Issuance Requests. The Designated Representatives are also authorized to make representations and warranties concerning the Series 10 Notes as and when required by the Documents.

Section 10. Attestation. The Clerk of the Board of the Water Authority is hereby authorized and directed to attest the signatures of the Authorized Officers as may be required or appropriate in connection with the execution and delivery of the Documents.

Section 11. Execution by Authorized Officer / Additional Authorization. Whenever the Authorized Officers are, by this Resolution, authorized and directed to execute and deliver any document, the execution and delivery of that document by any of Authorized Officer shall be sufficient. The Authorized Officers and General Counsel, and agents and employees designated by the Authorized Officers or General Counsel, are authorized and directed to do any and all things necessary, including (without limitation) appointment of a substitute Issuing and Paying Agent for the Series 10 Notes or replacement of a Dealer for the Series 10 Notes, or appointment of an additional Dealer, if desirable, and appointment of a substitute qualified financial institution to provide liquidity for the Series 10 Notes, to effect the execution and delivery of the Series 10 Notes, the Issuing and Paying Agent Agreement, the Dealer Agreements, the Liquidity Agreement, the Fee Letter and the Offering Memorandum and to carry out the terms thereof; and to execute and deliver any and all certificates, requisitions, agreements, notices, consents, and other documents, including the tax certificate, the letter of representations to a bond depository, other insurance or credit agreements, if any, and closing certificates, which they may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Series 10 Notes from time to time as contemplated by the Issuing and Paying Agent Agreement, to pay the fees and expenses of the Liquidity Provider, rating agency fees, the fees and expenses of the issuing and paying agent, the Water Authority's municipal advisor and bond counsel, and all other amounts required to be paid by the Water Authority to effect the purposes of this Resolution, and any such actions previously taken by the aforementioned officers are hereby ratified, confirmed and approved.

Section 12. Delegation of Authority. The authority of the General Manager, Director of Finance/Treasurer, General Counsel and Clerk of the Board under this Resolution may be delegated as provided in the Administrative Code of the Water Authority.

Section 13. Effective Date. The effective date of this Resolution shall be the date of its adoption.

PASSED, APPROVED AND ADOPTED, this 11th day of June, 2019:

AYES: Unless noted below all Directors voted aye.

NOES:

ABSTAIN:

ABSENT:

Jim Madaffer, Chair

ATTEST:

Christy Guerin, Secretary

I, Melinda Nelson, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2019-_____ was duly adopted at the meeting of the Board of Directors on the date stated above.

Melinda Nelson, Clerk
Clerk of the Board

Fitch: F1
Moody's: P-1
S&P: A-1+



\$135,000,000
Commercial Paper Notes, Series 9

The Series 9 Notes (the “**Series 9 Notes**”) to be offered hereby are part of an issue of Commercial Paper Notes of the San Diego County Water Authority (the “**Water Authority**”) which are issued from time to time pursuant to the Issuing and Paying Agent Agreement (as defined herein). The Series 9 Notes will be issued as interest-bearing obligations, in book-entry form, in denominations of \$100,000 and integral multiples of \$1,000 in excess thereof. The Water Authority has appointed BofA Securities, Inc., Citigroup Global Markets Inc., Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, Loop Capital Markets LLC, Morgan Stanley & Co. LLC and RBC Capital Markets, LLC, as co-dealers for the Series 9 Notes.

On May 11, 2016, Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the Water Authority, delivered its opinion that, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 9 Notes, when issued in accordance with the Issuing and Paying Agent Agreement and the Tax Certificate (as defined herein), is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. Bond Counsel’s opinion stated that interest on the Series 9 Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observed that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expressed no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 9 Notes. See “**TAX EXEMPTION**” herein.

The Series 9 Notes will constitute limited obligations of the Water Authority, payable solely from a pledge of Net Water Revenues (as defined herein), and neither the full faith and credit nor the taxing power of the Water Authority, the State of California or any of its political subdivisions is pledged for the payment thereof. Payment of the Series 9 Notes from Net Water Revenues is subordinate to the payment of any Prior Obligations (as defined herein) presently outstanding or hereafter incurred by the Water Authority in accordance with the General Resolution (as defined herein). The Water Authority has entered into a Revolving Credit and Term Loan Agreement, as amended (the “**Liquidity Agreement**”), with Bank of America, N.A. (the “**Bank**”), pursuant to which the Bank has agreed, subject to certain conditions precedent, to provide funds in an amount not to exceed \$135,000,000 for the payment of the principal of the Series 9 Notes. **The Liquidity Agreement is not available to be drawn upon to pay interest on the Series 9 Notes.** Unless terminated earlier or extended in accordance with its terms, the Liquidity Agreement will terminate on June [17], 2022.

UNDER CERTAIN CIRCUMSTANCES, THE OBLIGATION OF THE BANK TO MAKE ADVANCES UNDER THE LIQUIDITY AGREEMENT WILL TERMINATE OR BE SUSPENDED IMMEDIATELY, AUTOMATICALLY AND WITHOUT NOTICE TO HOLDERS OF THE SERIES 9 NOTES. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PAY SUCH SERIES 9 NOTES. See “**SUMMARY OF CERTAIN PROVISIONS OF THE LIQUIDITY AGREEMENT – Remedies**” herein.

BofA Merrill Lynch Citigroup Goldman Sachs & Co.
J.P. Morgan Loop Capital Markets Morgan Stanley RBC Capital Markets

as Dealers

Dated: June [19], 2019

\$135,000,000
San Diego County Water Authority
Commercial Paper Notes, Series 9

INFORMATION CONCERNING THE OFFERING

BofA Securities, Inc., Citigroup Global Markets Inc., Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, Loop Capital Markets LLC, Morgan Stanley & Co. LLC and RBC Capital Markets, LLC (collectively the “**Dealers**”) have been appointed to serve as exclusive dealers for the Commercial Paper Notes, Series 9 (the “**Series 9 Notes**”) of the San Diego County Water Authority (the “**Water Authority**”). This Offering Memorandum relates to the offering, from time to time, of up to \$135,000,000 aggregate principal amount of the Series 9 Notes under the Issuing and Paying Agent Agreement (Series 9), dated as of June 1, 2016 (the “**Issuing and Paying Agent Agreement**”), between the Water Authority and U.S. Bank National Association (the “**Issuing and Paying Agent**”). The aggregate principal amount of the Series 9 Notes outstanding may change from time to time as provided in the Issuing and Paying Agent Agreement.

THE COMMERCIAL PAPER NOTES

Purpose of the Series 9 Notes

Proceeds of the Series 9 Notes will be used to provide funds to refinance the cost of design, acquisition and construction of water system improvements in furtherance of the Water Authority’s Capital Improvement Program.

Description of the Series 9 Notes

The Series 9 Notes will be dated the date of their respective authentication, will be issued as interest bearing obligations in denominations of \$100,000 and integral multiples of \$1,000 in excess thereof and, except as described below, will be issued in book-entry form through the book-entry system of The Depository Trust Company (“**DTC**”). Each note will bear interest from its date of issuance at the rate determined at the date of issuance payable at maturity. The Series 9 Notes will mature no later than 270 days from the date of issuance; provided that, so long as the Liquidity Agreement (as defined herein) is in effect, no Series 9 Notes may be issued with a maturity date after the business day prior to the scheduled expiration date of the Liquidity Agreement or, if an Alternate Facility (as defined in the Liquidity Agreement) will be available with respect to the Series 9 Notes, after the business day prior to the scheduled expiration date of the Alternate Facility. Interest will be computed on the basis of a 365- or 366-day year, and the actual number of days elapsed. The principal of and interest on the Series 9 Notes in book-entry form will be paid at maturity to DTC and distributed by it to its participants as described below.

The Series 9 Notes will be delivered as fully registered certificates and registered in the name of Cede & Co., as registered owner and nominee for DTC. Beneficial ownership interests in the Series 9 Notes will be available in book-entry form only, and purchasers of the Series 9 Notes will not receive certificates representing their interests in the Series 9 Notes purchased. While held in book-entry only form, the Issuing and Paying Agent will make all payments of principal and interest with respect to the Series 9 Notes by wire transfer to DTC or its nominee as the sole registered owner of the Series 9 Notes. Payments to the beneficial owners are the responsibility of DTC and its participants. See Appendix D – “Information Regarding DTC and the Book-Entry Only System.”

Security for the Series 9 Notes

The Water Authority expects to pay the principal of the Series 9 Notes with the proceeds of additional Series 9 Notes until the Water Authority provides permanent financing for those water system improvements refinanced with the Series 9 Notes or until, from time to time, revenues of the Water Authority are available to pay for the Series 9 Notes.

The Series 9 Notes will constitute limited obligations of the Water Authority, payable solely from Net Water Revenues (as defined herein), and neither the full faith and credit nor the taxing power of the Water Authority, the State of California or any of its political subdivisions is pledged for the payment thereof. Payment of the Series 9 Notes from Net Water Revenues is subordinate to the payment of any Prior Obligations (as defined herein) presently outstanding or hereafter incurred by the Water Authority in accordance with Resolution 89-21, adopted by the Board of Directors of the Water Authority on May 11, 1989, as supplemented by Resolution No. 97-52, adopted by the Board of Directors of the Water Authority on December 11, 1997, and by Resolution No. 09-23, adopted by the Board of Directors of the Water Authority on December 17, 2009 (as supplemented, the “**General Resolution**”).

Pursuant to a Revolving Credit and Term Loan Agreement dated as of May 11, 2016, and amended by the First Amendment to Revolving Credit and Term Loan Agreement dated as of October 30, 2017, and by the Second Amendment to Revolving Credit and Term Loan Agreement dated as of June [19], 2019 (as amended, the “**Liquidity Agreement**”), by and between the Water Authority and Bank of America, N.A. (the “**Bank**”), the Bank has agreed, subject to certain conditions precedent, to provide funds in an amount not to exceed \$135,000,000 for the payment of Series 9 Notes principal when due. Unless terminated earlier or extended in accordance with its terms, the Liquidity Agreement will terminate on June [17], 2022. See “SUMMARY OF CERTAIN PROVISIONS OF THE LIQUIDITY AGREEMENT” herein.

UNDER CERTAIN CIRCUMSTANCES, THE OBLIGATION OF THE BANK TO MAKE ADVANCES UNDER THE LIQUIDITY AGREEMENT WILL TERMINATE OR BE SUSPENDED IMMEDIATELY, AUTOMATICALLY AND WITHOUT NOTICE TO HOLDERS OF THE SERIES 9 NOTES. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PAY SUCH SERIES 9 NOTES. See “SUMMARY OF CERTAIN PROVISIONS OF THE LIQUIDITY AGREEMENT – Remedies” herein.

The Water Authority may deliver an Alternate Facility in place of the Liquidity Agreement; provided, no such delivery may result in the termination of the Liquidity Agreement then in effect so long as Series 9 Notes for the payment of the principal of which such Liquidity Agreement is providing liquidity remain outstanding.

To provide security for the payment of the principal of and interest on the Series 9 Notes as the same shall become due and payable, the Issuing and Paying Agent Agreement grants a lien on and pledge of, subject only to the provisions of the Issuing and Paying Agent Agreement permitting the application thereof for purposes of the terms and conditions set forth therein, (i) the proceeds from the sale of Series 9 Notes issued pursuant to the Issuing and Paying Agent Agreement for the purpose of refinancing, renewing or refunding the Series 9 Notes, (ii) the amount held in the Commercial Paper Note Payment Fund (on a pro rata basis with any other commercial paper notes secured by such fund) until the amounts deposited therein are used for authorized purposes, (iii) amounts held by the Issuing and Paying Agent in the Issuing and Paying Agent Fund, (iv) the amounts held in the Commercial Paper Note Construction Fund (on a pro rata basis with any other commercial paper notes secured by such fund), (v) the proceeds of any other indebtedness of the Water Authority issued or incurred solely for the payment of principal of and interest on the Series 9 Notes, (vi) any other moneys of the Water Authority hereafter pledged by the Water Authority for the payment of principal of and interest on the Series 9 Notes and (vii) the proceeds of

Advances (as defined in the Liquidity Agreement), and the principal of and interest on the Series 9 Notes are equally and ratably secured by and payable from a lien on and pledge of the sources hereinabove identified in clauses (i) through (vii) above, subject and subordinate only to the exceptions noted therein.

Additionally, to provide for the payment of the principal of and interest on the Series 9 Notes as the same shall become due and payable, the Water Authority shall, from Net Water Revenues on deposit in the Subordinate Obligations Payment Fund established under the General Resolution on a parity with all other Subordinate Obligations (as defined herein), deposit in the Commercial Paper Note Payment Fund from time to time amounts sufficient, together with other moneys available therefor for the timely payment of principal of and interest on the Series 9 Notes. Such payment shall be subject and subordinate to the application of Net Water Revenues to the payment of principal and accreted value of, premium, if any, interest on, and any reserve fund requirements for, or other obligations with respect to, any senior obligations of the Water Authority.

Unless the Series 9 Notes are paid from the source described in the clauses (i) through (vii) above, such payment is to be made from Net Water Revenues deposited in the Commercial Paper Note Payment Fund.

For purposes of the foregoing:

“General Resolution” means Resolution No. 89-21 adopted by the Board of Directors of the Water Authority on May 11, 1989, entitled “A Resolution of the Board of Directors of the San Diego County Water Authority Providing for the Allocation of Water System Revenues and Establishing Covenants to Secure the Payment of Obligations Payable from Net Water Revenues,” as supplemented by Resolution No. 97-52, adopted by the Board of Directors of the Water Authority on December 11, 1997, and Resolution No. 09-23, adopted by the Board of Directors of the Water Authority on December 17, 2009, as it may be further modified, amended or supplemented.

“Net Water Revenues” means, for any fiscal year or other period, the Water Revenues during such fiscal year or period, less the Maintenance and Operation Costs during such fiscal year or period.

“Water Revenues” means Current Water Revenues plus deposits to the Water Revenue Fund established under the General Resolution from amounts on deposit in the Rate Stabilization Fund, established under the General Resolution, less amounts transferred to the Rate Stabilization Fund.

“Current Water Revenues” means all gross income and revenue received or receivable by the Water Authority from the ownership or operation of the Water System, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges (including connection fees and charges and standby charges) received by the Water Authority for the Water Service and other services of the Water System and all other income and revenue howsoever derived by the Water Authority from the ownership or operation of the Water System or arising from the Water System, and also including investment income with respect to certain funds and accounts.

“Maintenance and Operation Costs” means all costs paid or incurred by the Water Authority for maintaining and operating the Water System, determined in accordance with Generally Accepted Accounting Principles, including all costs of water purchased by the Water Authority for resale, and including all expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including all administrative costs of the Water Authority, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and including all other costs of the Water Authority or charges required to be paid by it to comply with the terms of the General Resolution or of any resolution authorizing the execution of any Contract or of such

Contract or of any resolution authorizing the issuance of any Bonds or of such Bonds, such as compensation, reimbursement and indemnification of the trustee, seller, lender or lessor for any such Contracts or Bonds and fees and expenses of Independent Certified Public Accountants; but excluding in all cases (1) depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles, premiums and discounts, (2) interest expense and (3) amounts paid from other than Water Revenues (including, but not limited to, amounts paid from the proceeds of ad valorem property taxes.)

“Prior Obligations” means the Water Authority’s Water Revenue Certificates of Participation, Series 1998A and 2008A; the Water Authority’s Water Revenue Refunding Certificates of Participation, Series 2005A; the Water Authority’s Water Revenue Refunding Bonds, Series 2011A, 2011B, 2013A, 2015A, 2016A and 2016B; the San Diego County Water Authority Financing Agency Water Revenue Bonds, Series 2010A and 2010B; and any other Bonds, Contracts or evidences of indebtedness or obligations of the Water Authority authorized under the Act payable from Net Water Revenues senior to the Series 9 Notes; and

“Subordinate Obligations” means the Series 9 Notes, the San Diego County Water Authority Commercial Paper Notes, Series 8 (the **“Series 8 Notes”**), the San Diego County Water Authority Extendable Commercial Paper Notes, Series 1 (the **“ECP Notes”**), the San Diego County Water Authority Subordinate Lien Water Revenue Refunding Bonds, Series 2016S-1 (the **“2016S-1 Bonds”**), and any other obligations of the Water Authority authorized and executed by the Water Authority under applicable law, the interest and principal payments under and pursuant to which are payable from Net Water Revenues from the Subordinate Obligation Payment Fund as Subordinate Obligations under the General Resolution. **The Water Authority expects to refund all of the Series 8 Notes from proceeds of the San Diego County Water Authority Commercial Paper Notes, Series 10 (the “Series 10 Notes”) on June [19], 2019. The Series 10 Notes are not being offered pursuant to this Offering Memorandum.**

“Bonds” means revenue bonds of the Water Authority, the principal and interest on which are payable from Net Water Revenues on a parity with the Prior Obligations.

“Contracts” means installment sale agreements, leases or contracts of indebtedness, the principal and interest with respect to which are payable by the Water Authority from Net Water Revenues on a parity with the Prior Obligations.

“Certificates” means any certificates of participation representing interests in payments to be made by the Water Authority pursuant to Contracts.

Rate Covenant

The Water Authority covenants under the General Resolution that it will at all times fix, prescribe and collect or cause to be collected rates, fees and charges for the Water Service which are reasonably fair and non-discriminatory and which will be at least sufficient to yield during the next succeeding fiscal year of the Water Authority Net Water Revenues sufficient for the payment of all amounts payable from Net Water Revenues during such fiscal year and at least equal to 120% of the Debt Service on all Bonds and Contracts for such fiscal year. The Water Authority may make adjustments from time to time in such rates, fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the Net Water Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of this covenant.

The Water Authority further covenants under the Issuing and Paying Agreement that it will prescribe, revise and collect such rates and charges for the services, facilities, availability and water of the

Water System which, after making allowances for contingencies and error in estimates, will provide Water Revenues at least sufficient to pay the following amounts in the order set forth:

1. Maintenance and Operation Costs;
2. Principal and accreted value of, premium, if any, and interest on all Prior Obligations as and when the same shall become due and payable, and any required deposits into any reserve funds or accounts for the Prior Obligations, all in accordance with the Prior Obligation Documents (as defined in the Issuing and Paying Agreement);
3. To the extent the same are reasonably anticipated by the Water Authority to be paid with Net Water Revenues (e.g., not paid from the proceeds of additional Series 9 Notes or other refunding obligations), the principal of and interest on the Series 9 Notes and any other amounts due the Bank under the Liquidity Agreement, in each case as and when the same shall become due; and
4. Any other obligations which are payable from the Water Revenues including, without limitation, the Subordinate Obligations.

The Series 9 Notes are Subordinate Obligations payable on a parity with the Series 8 Notes, the ECP Notes, the 2016S-1 Bonds and any other Subordinate Obligations secured by the Subordinate Obligation Payment Fund established under the General Resolution. **The Water Authority expects to refund all of the Series 8 Notes from proceeds of the Series 10 Notes on June [19], 2019. The Series 10 Notes are not being offered pursuant to this Offering Memorandum.**

THE WATER AUTHORITY

The Water Authority is a county water authority organized and existing under the County Water Authority Act, California Statutes 1943, Chapter 545, as amended (the “Act”). The Water Authority was organized on June 9, 1944, for the primary purpose of supplying water to San Diego County for wholesale distribution to the Water Authority’s member agencies in order to meet their respective needs for beneficial uses and purposes.

The Water Authority has 24 member agencies, consisting of six cities, including the City of San Diego, 17 special districts and the Pendleton Military Reservation. A 36-member Board of Directors (the “Board”) governs the Water Authority with each of the member agencies having at least one voting representative on the Board. Any member agency may appoint one additional representative for each full five percent (5%) of total assessed value of property taxable for Water Authority purposes that is within the public agency service area. As a result, the City of San Diego is currently entitled to representation by 10 directors and the Helix Water District, the Otay Water District and Carlsbad Municipal Water District are each currently entitled to representation by two directors. Directors are appointed to six-year terms by the chief executive officers of the respective member agencies, subject to approval by the agencies’ governing bodies. Under the Act, a member agency’s weighted vote is based on its “total financial contribution” to the Water Authority as determined annually by the Board of Directors. Total financial contribution includes all amounts paid in taxes, assessments, fees and charges paid to or on behalf of the Water Authority and The Metropolitan Water District of Southern California excluding charges for water treatment with respect to property located within each member agency.

The Water Authority is authorized to acquire water and water rights within or outside the State of California; to develop, store and transport such water; to provide, sell and deliver water for beneficial uses and purposes and to provide, sell and deliver water of the Water Authority not needed or require for beneficial purposes of its member agencies to areas outside the boundaries of the Water Authority.

The Water Authority is further authorized by the Act (i) to utilize its water, works, facilities, improvements and property used for the development, storage or transportation of water, to provide, generate and deliver hydroelectric power, and may acquire, construct, operate and maintain any and all works, facilities, improvements and property necessary or convenient for that utilization; (ii) to provide, sell and deliver hydroelectric power to the United States of America or to any board, department or agency thereof, to the State of California for the State Water Project and to any other public agency, private corporation or any other person or entity engaged in the sale of electric power at retail or wholesale; (iii) to acquire, construct, own, operate, control or use works for supplying its member public agencies with gas or electricity; and (iv) to purchase gas, electricity or related services from the United States of America or any board, department or agency thereof, the State of California, any public agency, person or private company and provide, sell, exchange or deliver them to any public agency, private company, or person engaged in the sale of gas or electricity at retail.

The most recent descriptions of the Water Authority, the member agencies, the service area, the water supply, the water facilities and other considerations may be found either in the Water Authority's most recent Official Statement or Offering Memorandum or the Water Authority's Continuing Disclosure Annual Report filed annually with the Municipal Securities Rulemaking Board (the "MSRB"). Pursuant to the provisions of the Act, additional entities are authorized to join the Water Authority. The Act also entitles member agencies to withdraw from the Water Authority, subject to certain restrictions.

On May 21, 2019, the Water Authority was told that two of its member agencies, Fallbrook Public Utility District and the Rainbow Municipal Water District, plan to initiate proceedings with the San Diego Local Agency Formation Commission in 2019 to withdraw from the Water Authority and to seek voter approval for such withdrawals in 2020. The Water Authority is unable to predict the impact any such potential withdrawal(s) would have on Net Water Revenues or the Water Authority's ability to pay debt service on Revenues Secured Debt.

The Capital Improvement Program

The Water Authority's goal is to provide a safe and reliable supply of water to its member agencies serving the San Diego region by maintaining an operationally flexible water storage, treatment and distribution system. To achieve this goal, the Water Authority has implemented a strategic plan, a component of which is known as the Capital Improvement Program (the "CIP").

The Water Authority staff prepares periodic studies to project the future water demands in its service area. These Water Authority studies review the most recent information on member agency projected water demands, demographics and population estimates by the San Diego Association of Governments. These projections are incorporated into the CIP.

A description of the Water Authority's Long-Range Financing Plan, the CIP and other obligations issued to fund the CIP may be found either in the Water Authority's most recent Official Statement or Offering Memorandum or the Water Authority's Continuing Disclosure Annual Report filed annually with the MSRB. See "OTHER MATTERS."

Sources of Revenue

Water rates generate the majority of the Water Authority's revenue stream. The Water Authority's Board of Directors determines water rates which, under the General Resolution, must be reasonably fair and nondiscriminatory. See "THE COMMERCIAL PAPER NOTES – Rate Covenant" above. These rates are not subject to regulation by the California Public Utilities Commission or by any other local, state or federal agency. The Water Authority bills member agencies for water deliveries monthly. The Water

Authority also imposes standby charges, capacity charges and infrastructure access charges and receives property tax revenues and in-lieu charges. The imposition of taxes, assessments, rates and charges by the Water Authority is subject to various constitutional and statutory limitations, including some requirements of Articles XIII A, XIII B, XIII C and XIII D of the California Constitution, and are subject to reduction or repeal through the initiative process as provided in Article XIII C of the California Constitution.

Outstanding Debt

As of June 1, 2019, the Water Authority had \$1,505,635,000 aggregate principal amount of Prior Obligations outstanding.

The Series 8 Notes are currently outstanding in the aggregate principal amount of \$110,000,000, with liquidity provided by a line of credit from The Bank of Tokyo-Mitsubishi, UFJ, Ltd., acting through its New York Branch.

The ECP Notes are currently outstanding in the aggregate principal amount of \$100,000,000.

The 2016S-1 Bonds are currently outstanding in the aggregate principal amount of \$87,685,000.

The Series 8 Notes, the ECP Notes and the 2016S-1 Bonds are Subordinate Obligations under the General Resolution and are payable on parity with payment of the Series 9 Notes. **The Water Authority expects to issue the Series 10 Notes to refund all of the Series 8 Notes on June [19], 2019, with liquidity to be provided by Bank of the West. The liquidity agreement in connection with the Series 8 Notes will be terminated on such date. The Series 10 Notes are not being offered pursuant to this Offering Memorandum.**

Desalination Costs

On December 24, 2012, the California Pollution Control Financing Authority issued \$530,345,000 aggregate principal amount of Water Furnishing Revenue Bonds, Series 2012 (Poseidon Resources (Channelside) LP Desalination Project) (the “**2012 Plant Bonds**”) and \$203,215,000 aggregate principal amount of California Pollution Control Financing Authority Water Furnishing Revenue Bonds, Series 2012 (San Diego County Water Authority Desalination Project Pipeline) (the “**2012 Pipeline Bonds**”) to finance a desalination project located in Carlsbad, California, including a desalination plant and a 10-mile pipeline to deliver desalinated water from the desalination plant to the Water Authority’s water system. The Claude “Bud” Lewis Carlsbad Desalination Plant began commercial operation in December 2015. On February 20, 2019, the California Pollution Control Financing Authority issued \$183,155,000 aggregate principal amount of Water Furnishing Revenue Refunding Bonds, Series 2019 (San Diego County Water Authority Desalination Project Pipeline) (the “**2019 Pipeline Bonds**”) to refund and redeem the outstanding 2012 Pipeline Bonds. The 2012 Plant Bonds and the 2019 Pipeline Bonds are collectively referred to herein as the “**Desalination Bonds**”.

In connection with the desalination project, the Water Authority entered into a Carlsbad Seawater Desalination Project Water Purchase Agreement, dated December 20, 2012 (the “**Desalination Water Purchase Agreement**”), by and between the Water Authority and Poseidon Resources (Channelside) LP, and a Pipeline Installment Sale and Assignment Agreement, dated December 24, 2012, as amended (the “**Desalination Installment Sale Agreement**”), by and between the Water Authority and the San Diego County Water Authority Financing Agency. It is expected that payments made by the Water Authority under these agreements will constitute a substantial portion of the amounts ultimately applied to pay debt service payments on the Desalination Bonds, contingent on attainment of certain operating and product water delivery conditions. Purchases of water pursuant to the Desalination Water Purchase Agreement

constitute Maintenance and Operation Costs (as defined in the General Resolution), while installment payments to be made pursuant to the Desalination Installment Sale Agreement are obligations payable from amounts constituting Net Water Revenues on deposit in the General Reserve Fund established under the General Resolution, subordinate to the pledge of Net Water Revenues for the payment of Bonds, Contracts, Reimbursement Payments (as defined in the General Resolution) and Subordinate Obligations.

Investment Policy

The investment policies and practices of the Board of Directors and the Treasurer for the Water Authority are based upon limitations placed on it by governing legislative bodies. The investment policy of the Water Authority is reviewed and submitted annually to the Board of Directors of the Water Authority and is subject to change. A copy of the Water Authority's Annual Statement of Investment Policy for Calendar Year 2019 is attached hereto as Appendix C.

Water Authority Financial Statements

The financial statements of the Water Authority for the fiscal year ending June 30, 2018, are attached hereto as Appendix A. Additional financial and operating data relating to the Water Authority's water system may be found in the Water Authority's most recent Continuing Disclosure Annual Report filed annually with the MSRB. See "OTHER MATTERS."

DESCRIPTION OF THE BANK

The following information has been provided by the Bank for inclusion in this Offering Memorandum. None of the Water Authority or the Dealers make any representation as to the accuracy or completeness of this information or as to the absence of material adverse changes with respect to the Bank or its financial condition subsequent to the date hereof.

Bank of America, N.A. (the "**Bank**") is a national banking association organized under the laws of the United States, with its principal executive offices located in Charlotte, North Carolina. The Bank is a wholly-owned indirect subsidiary of Bank of America Corporation (the "**Corporation**") and is engaged in a general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of December 31, 2018, the Bank had consolidated assets of \$1.783 trillion, consolidated deposits of \$1.457 trillion and stockholder's equity of \$207.73 billion based on regulatory accounting principles.

The Corporation is a bank holding company and a financial holding company, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding the Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2018, together with its subsequent periodic and current reports filed with the Securities and Exchange Commission (the "**SEC**").

The SEC maintains a website at www.sec.gov which contains the filings that the Corporation files with the SEC such as reports, proxy statements and other documentation. The reports, proxy statements and other information the Corporation files with the SEC are also available at its website, www.bankofamerica.com.

The information concerning the Corporation and the Bank is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the referenced documents and financial statements referenced therein.

The Bank will provide copies of the most recent Bank of America Corporation Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case, as filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended), and the publicly available portions of the most recent quarterly Call Report of the Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

Bank of America Corporation
Office of the Corporate Secretary/Shareholder Relations
Hearst Tower, 214 North Tryon Street
NC1-027-18-05
Charlotte, NC 28255

THE SERIES 9 NOTES ARE NOT DEPOSITS OR OBLIGATIONS OF THE CORPORATION OR ANY OF ITS AFFILIATED BANKS AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE SERIES 9 NOTES ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The delivery of this information shall not create any implication that there has been no change in the affairs of the Corporation or the Bank since the date of the most recent filings referenced herein, or that the information contained or referred to in this section is correct as of any time after the referenced date.

SUMMARY OF CERTAIN PROVISIONS OF THE LIQUIDITY AGREEMENT

General

The following description is a summary of certain provisions of the Liquidity Agreement. Such summary does not purport to be a complete description or restatement of the material provisions of the Liquidity Agreement. Investors should obtain and review a copy of the Liquidity Agreement in order to understand all of the terms of that document.

Subject to the terms and conditions of the Liquidity Agreement, the Bank agrees to make Advances (as defined in the Liquidity Agreement) from time to time on any Business Day (as defined in the Liquidity Agreement) during the Commitment Period (as defined in the Liquidity Agreement) in amounts which, together with the principal amount of any Advances and Term Loans (as defined in the Liquidity Agreement) then outstanding, shall not exceed at any time outstanding the Commitment (as defined in the Liquidity Agreement). Each Advance shall be made solely for the purpose of providing funds to pay the principal of Series 9 Notes on the maturity date thereof to the extent that proceeds of other Series 9 Notes or Net Water Revenues are not available therefor. The aggregate principal amount of all Advances made on the date of any Advance shall not exceed the Available Commitment (as defined in the Liquidity Agreement) (calculated without giving effect to any Advances made on such date) at 9:00 a.m. (New York City time) on such date. The proceeds of Advances shall not be available to pay interest on Series 9 Notes.

Under certain circumstances described below, the obligation of the Bank to purchase the Series 9 Notes may be immediately suspended or terminated without notice to the holders thereof. In such event, sufficient funds may not be available to purchase Series 9 Notes.

Certain Definitions

For purposes of this Section, the Liquidity Agreement defines “Basic Documents”, “Collateral”, “Debt”, “Prior Obligations” and “Revenues Secured Debt” as follows:

“**Basic Documents**” means the Issuing and Paying Agent Agreement, the Fee Letter, the Revolving Note, the Term Note, the General Resolution and the Dealer Agreement (each as defined in the Liquidity Agreement).

“**Collateral**” means those funds and other assets pledged to secure the Series 9 Notes, the Revolving Note and the Term Note pursuant to the Issuing and Paying Agent Agreement and the General Resolution.

“**Debt**” means (a) all Bonds (as defined in the Liquidity Agreement), Contracts (as defined in the Liquidity Agreement) and other evidences of indebtedness or obligations of the Water Authority, including, without limitation, Subordinate Obligations (as defined in the Liquidity Agreement), that are payable from or secured by Net Water Revenues and are evidenced by bonds, debentures, notes or other similar instruments, including, without limitation, the Series 9 Notes, the Revolving Note and the Term Note, (b) all other indebtedness of the Water Authority for borrowed money, (c) obligations of the Water Authority as lessee under any lease of property, real or personal, that, in accordance with GAAP (as defined in the Liquidity Agreement), would be required to be capitalized on a balance sheet of the lessee thereof, (d) obligations of the Water Authority on or with respect to letters of credit, banker’s acceptances or other evidences of indebtedness representing extensions of credit, whether or not representing obligations for borrowed money, (e) all obligations for the deferred purchase price of property or services (other than trade accounts payable occurring in the ordinary course of business), (f) any obligation of the Water Authority guaranteeing or in effect guaranteeing any other Debt, whether directly or indirectly and (g) all obligations arising under or pursuant to any Swap Contract (as defined in the Liquidity Agreement).

“**Prior Obligations**” means (i) Bonds and Contracts (including Certificates (as defined in the Liquidity Agreement) evidencing undivided interests therein), (ii) any bonds, notes, certificates, debentures or other evidence of similar indebtedness issued by or on behalf of the Water Authority secured by a lien on the Collateral ranking senior to or on a parity with the Series 9 Notes, the Revolving Note and the Term Note, (iii) the obligations which are scheduled payments of the Water Authority under any Swap Contract (which are secured pursuant to the Issuing and Paying Agent Agreement by a lien on the Collateral ranking senior to or on a parity with the Series 9 Notes, the Revolving Note and the Term Note) providing interest rate support with respect to any indebtedness issued by or on behalf of the Water Authority pursuant to the Issuing and Paying Agent Agreement by a lien on the Collateral ranking senior to or on a parity with the Series 9 Notes, the Revolving Note and the Term Note, (iv) any obligation of the Water Authority as lessee under a capital lease secured by a lien on the Collateral ranking senior to or on a parity with the Series 9 Notes, the Revolving Note and the Term Note (x) which is not subject to appropriation or abatement or (y) which is rated by each Rating Agency then rating the Series 9 Notes at a level equal to or higher than the long-term unenhanced debt rating assigned by each such Rating Agency (as defined in the Liquidity Agreement) to the Water Authority’s Bonds and Contracts (including Certificates evidencing undivided interests therein) and (v) any Guarantee by the Water Authority secured by a lien on the Collateral ranking senior to or on a parity with the Series 9 Notes, the Revolving Note and the Term Note (*provided, however*, that the failure to pay any such Guarantee (as defined in the Liquidity Agreement) as a result of any set-off, recoupment or counterclaim or any other defense to payment under such Guarantee by the Water Authority shall not constitute a failure to pay Prior Obligations for purposes of the Liquidity Agreement).

“**Revenues Secured Debt**” means (i) Bonds, (ii) Contracts payable from or secured by Net Water Revenues and of a type described in or similar in nature to those described in clauses (a) and (c) of the

definition of Debt, (iii) Reimbursement Payments (as defined in the Liquidity Agreement) (other than any such payments that have been accelerated under the applicable Reimbursement Agreement), (iv) the Series 2016S-1 Bonds and (v) other Debt payable from or secured by Net Water Revenues and described in clauses (a), (c) and (g) of the definition thereof (and in the case of obligations arising under or pursuant to any Swap Contract as described in clause (g) of the definition thereof, only with respect to (A) Swap Contracts that provide interest rate support and (B) obligations that constitute regularly scheduled payments that relate to Bonds, Contracts and other obligations described in clause (a) of the definition thereof) the payment of which is secured by a pledge of or Lien (as defined in the Liquidity Agreement) on Net Water Revenues senior to or on a parity with the payment of the Series 9 Notes.

Termination Events

Each of the following events shall constitute a Termination Event (as defined in the Liquidity Agreement) under the Liquidity Agreement. See also “– Remedies.” Reference is made to the Liquidity Agreement for a complete listing of all Termination Events:

(a) the Water Authority shall fail to pay (i) any amount of interest on any Series 9 Notes when the same shall become due and payable in accordance with its terms or (ii) any principal of, or interest on, the Revolving Note, the Term Note, any Advance, or any Term Loan, when the same shall become due and payable in accordance with its terms (other than as a result of the acceleration thereof as a result of certain Events of Default (as defined in the Liquidity Agreement)); or

(b) the Water Authority shall fail to pay when due and payable (whether by scheduled maturity, required prepayment or acceleration) any Revenues Secured Debt of the Water Authority, or any interest or premium thereon, and such failure shall continue beyond any applicable period of grace specified in any underlying resolution, indenture, contract or instrument pursuant to which such Revenues Secured Debt has been issued, or pursuant to the provisions of any such resolution, indenture, contract or instrument the maturity of any such Revenues Secured Debt, as a result of a payment default, shall have been or may be accelerated or required to be prepaid prior to the stated maturity thereof; *provided that* no Termination Event shall occur under this paragraph (b) as a result of the failure to pay when due and payable any Series 9 Notes if such failure to pay (i) is due solely to the Bank’s failure to honor a properly presented request for an Advance in accordance with the terms of the Liquidity Agreement or (ii) the principal on any Series 9 Note or any other commercial paper note payable from Water Revenues that has liquidity support from an entity other than the Water Authority; or

(c) one or more final, unappealable judgments or orders for the payment of money which, individually or in the aggregate, equal or exceed \$15,000,000 and are payable from Water Revenues (as defined herein) or attachment against the Water Revenues shall be rendered against the Water Authority and such judgment or order shall continue unsatisfied, unstayed or undismissed for a period of sixty (60) days; or

(d) (i) The Water Authority shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its Debts payable from or secured by Water Revenues, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of the assets of the Water System (as defined in the Liquidity Agreement), or the Water Authority shall make a general assignment for the benefit of its creditors, or a debt moratorium, debt restructuring, or comparable extraordinary restriction on repayment of debt shall have been declared, announced or imposed with respect to the Bonds (as defined in the Liquidity Agreement), or any Revenues

Secured Debt; or (ii) there shall be commenced against the Water Authority any case, proceeding or other action of a nature referred to in clause (i) above which (x) results in an order for such relief or in the appointment of a receiver or similar official or (y) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (iii) there shall be commenced against the Water Authority, any case, proceeding or other action seeking the issuance of a warrant of attachment, execution, restraint or similar process against all or any substantial part of the assets of the Water System or the Water Revenues, which results in the entry of a final and non-appealable order or ruling for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (iv) the Water Authority shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) the Water Authority shall admit in writing its inability to pay its debts; or

(e) any provision of the Liquidity Agreement, the Act, the Revolving Note, the Term Note, any Series 9 Note, the Issuing and Paying Agent Agreement or the General Resolution relating to (A) the Water Authority's ability or obligation to make payments of principal or interest on the Series 9 Notes, the Term Note, the Revolving Note, any Advance or any Term Loan or any other Revenues Secured Debt or (B) the validity or enforceability of the pledge of and lien on the Collateral shall at any time and for any reason cease to be valid and binding on the Water Authority or shall be deemed to be null and void, invalid or unenforceable pursuant to a final, nonappealable judgment or order of any court or other Governmental Authority (as defined in the Liquidity Agreement) having jurisdiction over the Water Authority with respect to such matters; or

(f) the long-term unenhanced ratings assigned by Moody's, Fitch and S&P to any of the Bonds, Certificates or Subordinate Obligations (if rated) shall be withdrawn or suspended (but excluding withdrawals or suspensions if the Rating Agency stipulates in writing that the rating action is being taken for non-credit related reasons) or reduced below "Baa3" (or its equivalent), "BBB-" (or its equivalent) and "BBB-" (or its equivalent), respectively.

Suspension Events

Each of the following events shall constitute a Suspension Event (as defined in the Liquidity Agreement) under the Liquidity Agreement. See also "– Remedies." Reference is made to the Liquidity Agreement for a complete listing of all Suspension Events:

(a) (i) Any Governmental Authority with jurisdiction to rule on the validity or enforceability of the Liquidity Agreement, the Act, the Revolving Note, the Term Note, any Series 9 Notes, the Issuing and Paying Agent Agreement or the General Resolution, shall find or rule, in a judicial or administrative proceeding, that any material provision of any of the foregoing relating to (A) the ability or the obligation of the Water Authority to pay, when due, the principal or interest payable on the Series 9 Notes, the Term Note, the Revolving Note, any Advance or any Term Loan or any other Revenues Secured Debt or (B) the Lien (as defined in the Liquidity Agreement) on or pledge of Net Water Revenues securing the Series 9 Notes, the Term Note, any Term Loan or any other Revenues Secured Debt is not valid or not binding on, or enforceable against, the Water Authority; or (ii) the Water Authority (A) makes a claim in a judicial or administrative proceeding that the Water Authority has no further liability or obligation under the Liquidity Agreement, the Act, the Revolving Note, the Term Note, any Series 9 Notes, the Issuing and Paying Agent Agreement or the General Resolution, or any Revenues Secured Debt, as and to the extent the Water Authority has obligations thereunder, to pay, when due, the principal or interest payable on the Series 9 Notes, the Term Note, any Term Loan or any other Revenues Secured Debt, or (B) contests in a judicial or administrative proceeding the validity or enforceability of any provision of the Liquidity Agreement, the Act, the Revolving Note, the Term Note, any Series 9 Notes, the Issuing and Paying Agent Agreement or the General Resolution, or any other Revenues Secured Debt secured by and relating to (1)

the ability or the obligation of the Water Authority to pay, when due, the principal or interest payable on the Series 9 Notes, the Term Note, the Revolving Note, any Advance or any Term Loan or any other Revenues Secured Debt or (2) the Lien on or pledge of Net Water Revenues (as defined in the Liquidity Agreement) securing the Series 9 Notes, the Term Note, the Revolving Note, any Advance or any Term Loan or any other Revenues Secured Debt; or

(b) there shall be commenced against the Water Authority any case, proceeding or other action seeking the issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of the assets of the Water System or the Water Revenues, which shall not have been vacated, discharged, or stayed or bonded pending appeal; or

(c) there shall be commenced against the Water Authority in a United States court of competent jurisdiction any case, proceeding or other action (i) under any existing or future law of any United States jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to the Water Authority, or seeking to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition or other relief with respect to it, or seeking to declare a moratorium with respect to (x) any Series 9 Note, the Revolving Note, the Term Note, any Advance or any Term Loan or (y) all Revenues Secured Debt, or (ii) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of the assets of the Water System or the Water Revenues, or the Water Authority shall make a general assignment for the benefit of its creditors which remains undismissed, undischarged or unbonded.

Notice Event of Default

Each of the following events shall constitute a Notice Event of Default (as defined in the Liquidity Agreement) under the Liquidity Agreement. See also “– Remedies.” Reference is made to the Liquidity Agreement for a complete listing of all Notice Events of Default:

(a) the Water Authority shall fail to pay when due any amount payable under the Liquidity Agreement or under the Fee Letter (other than amounts described in paragraph (a) under the heading “Termination Events” above) within five days after written demand by the Bank in respect thereof; or

(b) any representation, warranty, certification or statement made by the Water Authority in the Liquidity Agreement or in any Basic Document or in any certificate, financial statement or other document delivered pursuant to the Liquidity Agreement or any Basic Document shall (in any such case) have been incorrect or untrue in any materially adverse respect when made or deemed to have been made and such representation, warranty, certification or statement shall remain incorrect or continue for 30 days after written notice thereof shall have been given to the Water Authority by the Bank; or

(c) the Water Authority shall default in the due performance or observance of certain terms, covenants or agreements set forth in the Liquidity Agreement; or

(d) the Water Authority shall default in the due performance or observance of any term, covenant or agreement contained in the Liquidity Agreement (other than those covered by paragraph (a) or (b) under the heading “Termination Events” above and paragraph (a) or (c) under this heading “**Notice Event of Default**”) and such default, if capable of being remedied, shall remain unremedied for thirty (30) days after written notice thereof shall have been given to the Water Authority by the Bank; provided, however, such breach shall not constitute an Event of Default after such thirty (30) day period for such

period of time as the Water Authority is diligently pursuing a cure or correction of such breach, but in no event for a period of time of more than sixty (60) days after such written notice; or

(e) an “Event of Default” as defined in the Issuing and Paying Agent Agreement or any “event of default” under the General Resolution shall occur and be continuing or the Water Authority shall default in the due performance or observance of any material term, covenant or agreement contained in any other Basic Document and the same shall not have been cured within any applicable cure period; or

(f) the Water Authority shall fail to pay when due and payable (whether by scheduled maturity, required prepayment or acceleration) any other Debt of the Water Authority having an aggregate principal amount or notional amount in excess of \$15,000,000 and such failure shall continue beyond any applicable period of grace specified in any underlying indenture, contract or instrument providing for the creation thereof; or

(g) (i) any of Moody’s, S&P or Fitch shall withdraw or suspend the long-term unenhanced rating on the Bonds or Certificates or (ii) any two of Moody’s, S&P or Fitch shall reduce the long-term unenhanced rating on the Bonds or Certificates below “A2” (or its equivalent), “A” (or its equivalent), or “A” (or its equivalent), respectively; *provided that* any such withdrawal or suspension referred to in clause (i) of this paragraph (g) shall not constitute an Event of Default under this paragraph (g) if (x) such withdrawal or suspension is the result of a determination by the Water Authority to cease maintaining such rating and (y) following such withdrawal or suspension the Water Authority shall maintain at least one long-term rating on the Revolving Note and the Term Note; or

(h) any Governmental Authority shall declare a financial emergency with respect to the Water Authority and shall appoint or designate with respect to the Water Authority, an entity such as an organization, board, commission, authority, agency or body to manage the affairs and operations of the Water System; or

(i) the occurrence of any “default” resulting from a failure by the Water Authority to perform any of its obligations under any agreement or instrument providing credit enhancement or liquidity support with respect to any Prior Obligations or Subordinate Obligations, or pursuant to which the related holders purchased and continues to hold the same, which default results in an acceleration of such Prior Obligations or Subordinate Obligations, as applicable, or the obligations of the Water Authority under such agreement or instrument; or

(j) any material provision of the Liquidity Agreement, the Revolving Note, the Term Note, any Series 9 Note, the Issuing Agreement or the General Resolution, other than a provision described in paragraph (e) under the heading “Termination Events”, shall at any time and for any reason cease to be valid and binding on the Water Authority as a result of a ruling, finding, decree, order, legislative act or similar action by a Governmental Authority having jurisdiction over the Water Authority with respect to such matters or shall be declared in a final nonappealable judgment by any court having jurisdiction over the Water Authority to be null and void, invalid, or unenforceable, or the validity or enforceability thereof shall be publicly contested by the Water Authority.

Remedies

The following are remedies available to the Bank under the Liquidity Agreement upon the occurrence of certain events of default thereunder:

(a) Immediate Termination. Upon the occurrence of any Termination Event, (i) the Commitment and the obligation of the Bank to make Advances under the Liquidity Agreement shall

immediately and automatically terminate, without notice from the Bank, and (ii) all amounts due under the Liquidity Agreement and under the Revolving Note and the Term Note shall immediately become due and payable; *provided that* the Event of Default described in paragraph (b) under the heading “Termination Events” above as it pertains to the failure to pay principal on any Series 9 Notes will not constitute a “Termination Event” under the Liquidity Agreement if such Event of Default results from a failure to draw on a liquidity facility for commercial paper notes and is cured on or before the next Business Day.

(b) Suspension Events. (i) Upon the occurrence of an Event of Default described under paragraph (a) under the heading “Suspension Events” above, the obligation of the Bank to make Advances under the Liquidity Agreement shall be immediately and automatically suspended from the time of the occurrence of such Event of Default, *provided, however*, that if the provisions of the Liquidity Agreement, the Act, the Revolving Note, the Term Note, the Series 9 Notes, the Issuing and Paying Agent Agreement or the General Resolution in question are upheld in their entirety, then the Bank’s obligations under the Liquidity Agreement shall be automatically reinstated and the terms of the Liquidity Agreement will continue in full force and effect (unless the Liquidity Agreement shall have otherwise expired or been terminated in accordance with its terms) as if there had been no such suspension.

(ii) Upon the occurrence of an Event of Default under paragraphs (b) or (c) under the heading “Suspension Events” above, the obligation of the Bank to make Advances under the Liquidity Agreement shall be immediately and automatically suspended, without notice, until the proceeding referred to therein is terminated, discharged or dismissed, as applicable, prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is terminated, discharged or dismissed, as applicable, the obligation of the Bank to make Advances under the Liquidity Agreement shall be reinstated and the terms of the Liquidity Agreement will continue in full force and effect (unless the obligation of the Bank to make Advances under the Liquidity Agreement shall have otherwise expired or terminated in accordance with the terms of the Liquidity Agreement or there has occurred a Termination Event) as if there had been no such suspension.

(c) All Events of Default. In the event any Event of Default, including, without limitation, any Termination Event, has occurred and is continuing, the Bank (i) may by written notice to the Water Authority declare all amounts due under the Liquidity Agreement or under any Revolving Note or the Term Note to be immediately due and payable, whereupon the same shall immediately become due and payable, (ii) may by written notice to the Water Authority and the Issuing and Paying Agent (a “**No-Issuance Notice**”) in substantially the form attached to the Liquidity Agreement declare the Commitment to be reduced to the principal amount of Series 9 Notes then outstanding and to be permanently reduced further on the maturity date of each such Series 9 Note by an amount equal to the principal amount of such Series 9 Note with the Commitment to be terminated upon the last maturity date applicable to all such Series 9 Notes, (iii) may petition a court of competent jurisdiction to issue a mandamus order to the Water Authority to compel specific performance of the covenants of the Water Authority contained in the Issuing and Paying Agent Agreement, in the Liquidity Agreement or in any other Basic Document and (iv) may pursue any other rights or remedies under the Liquidity Agreement, the Issuing and Paying Agent Agreement, any other Basic Document, applicable law or otherwise. Except as expressly provided under this heading “Remedies,” procurement, demand, protest and all other notices of every kind are expressly waived. Following receipt of a No-Issuance Notice, the Water Authority shall not issue any additional Series 9 Notes.

(d) Timing of No-Issuance Notice. A No-Issuance Notice that is received by the Issuing and Paying Agent at or before 12:00 p.m. (New York City time) shall be effective when received. A No-Issuance Notice that is received by the Issuing and Paying Agent after 12:00 p.m. (New York City time) shall not be effective until the opening of business on the next succeeding Business Day.

(e) Copies of Notices. Concurrently with the occurrence of a Termination Event pursuant to paragraph (a) under this heading “Remedies” or a No-Issuance Notice pursuant to paragraph (c) under this heading “Remedies,” the Water Authority shall give notice to the Issuing and Paying Agent and the Dealer.

In addition, concurrently with giving such notice to the Water Authority and the Issuing and Paying Agent, the Bank shall provide a copy thereof to the Dealer at their respective addresses referred to in the Liquidity Agreement; *provided, however*, that the Bank shall not incur any liability as a result of its failure to provide a copy of such a notice in accordance with this sentence.

TAX EXEMPTION

The following is a summary of certain of the United States federal income tax consequences of the ownership of the Series 9 Notes as of the date of this Offering Memorandum. Each prospective investor should consult with its own tax advisor regarding the application of United States federal income tax laws, as well as any state, local, foreign or other tax laws, to its particular situation.

On May 11, 2016, Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the Water Authority, delivered its opinion that, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 9 Notes, when issued in accordance with the Issuing and Paying Agent Agreement and the Tax Certificate of the Water Authority (the “**Tax Certificate**”), is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. Bond Counsel’s opinion also stated that interest on the Series 9 Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observed that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. The form of such opinion is attached hereto as Appendix B.

Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service (the “**IRS**”) is studying whether the amount of the payment at maturity on short-term debt obligations (i.e., debt obligations with a stated fixed rate of interest which mature not more than one year from the date of issue) that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity or (ii) the difference between the issue price of the short-term debt obligations and the aggregate amount to be paid at maturity of the short-term debt obligations (the “**original issue discount**”). For this purpose, the issue price of the short-term debt obligations is the first price at which a substantial amount of the short-term debt obligations is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the IRS provides further guidance with respect to tax-exempt short-term debt obligations, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax-exempt short-term debt obligations in a consistent manner. Prospective purchasers of the Series 9 Notes should consult their own tax advisors with respect to the tax consequences of ownership of Series 9 Notes if the owner elects original issue discount treatment.

Series 9 Notes purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“**Premium Notes**”) will

be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of notes, like the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and an owner's basis in a Premium Note, will be reduced by the amount of amortizable bond premium properly allocable to such owner. Owners of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Internal Revenue Code of 1986, as amended (the "Code") imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations such as the Series 9 Notes. The Water Authority has made certain representations and has covenanted to comply with certain restrictions designed to assure that the interest on the Series 9 Notes will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 9 Notes being included in federal gross income, possibly from the date of first issuance of the Series 9 Notes. The opinion of Bond Counsel assumed the accuracy of these representations and compliance with these covenants. Bond Counsel did not undertake to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring) or any other matters coming to Bond Counsel's attention after May 11, 2016, may adversely affect the value of, or the tax status of interest on, such Series 9 Notes. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel rendered an opinion on May 11, 2016, that interest on the Series 9 Notes, when issued in accordance with the Issuing and Paying Agent Agreement and the Tax Certificate, is excluded from gross income for tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 9 Notes may otherwise affect the owner's federal, state, or local tax liability. The nature and extent of these other tax consequences depend upon the owner's particular tax status and the owner's other items of income or deduction. Bond Counsel expressed no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 9 Notes to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, or clarification of the Code or court decisions, may also affect, perhaps significantly, the market price for, or marketability of, the Series 9 Notes. Prospective purchasers of the Series 9 Notes should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel delivered on May 11, 2016 was based on then current legal authority, covered certain matters not directly addressed by such authorities, and represented Bond Counsel's judgment as to the proper treatment of interest on the Series 9 Notes for federal income tax purposes. It will not be binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the activities of the Water Authority after the date of such opinion, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Water Authority has covenanted, however, to comply with the requirements of the Code.

The IRS has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the IRS, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. Unless separately engaged, Bond Counsel is not obligated to defend the Water Authority or the owners of the Series 9 Notes regarding the tax-exempt status of interest

on the Series 9 Notes in the event of an audit examination by the IRS. Under current procedures, parties other than the Water Authority and its appointed counsel, including the owners of the Series 9 Notes, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Water Authority legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 9 Notes for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 9 Notes, and may cause the Water Authority or the owners of the Series 9 Notes to incur significant expense.

RATINGS

The Series 9 Notes have been rated “F1” by Fitch Ratings, Inc. (“**Fitch**”), One State Street Plaza, New York, New York, “P-1” by Moody’s Investors Service, Inc. (“**Moody’s**”), 99 Church Street, New York, New York, and “A-1+” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, 55 Water Street, New York, New York (“**Standard & Poor’s**”). The ratings assigned by Fitch, Moody’s and Standard & Poor’s express only the views of the rating agencies. The explanation of the significance of the ratings may be obtained from Fitch, Moody’s and Standard & Poor’s, respectively. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 9 Notes.

RELATED PARTIES

BofA Securities, Inc., one of the Dealers for the Series 9 Notes, and Bank of America, N.A., the provider of the Liquidity Agreement for the Series 9 Notes, are both wholly-owned, indirect subsidiaries of Bank of America Corporation.

THE DEALERS

The Dealers and their affiliates together comprise a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Dealers and their affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the Water Authority for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities and financial instruments which may include bank loans and/or credit default swaps) for its own account and for the accounts of its customers and may at any time hold long and short positions in such securities and instruments, or may maintain creditor rights in respect thereof. Such investment securities and other activities may involve securities and instruments of the Water Authority.

No Dealer is acting as a financial or municipal advisor to the Water Authority in connection with the offer and sale from time to time of the Notes.

OTHER MATTERS

The Dealers have provided the following sentence for inclusion in this Offering Memorandum. The Dealers have reviewed the information in this Offering Memorandum in accordance with, and as part

of, their responsibility to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Dealers do not guarantee the accuracy or completeness of such information.

The information and expressions of opinion in this Offering Memorandum are subject to change without notice and neither the delivery of this Offering Memorandum nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in such information or expressions of opinion since the date hereof.

The financial statements of the Water Authority for the fiscal year ended June 30, 2018, and the form of the opinion delivered by Bond Counsel are attached hereto as Appendices. The Water Authority will make available on request a copy of the Liquidity Agreement and copies of the Water Authority's most recent Continuing Disclosure Annual Report and Official Statement. For additional information please contact the following:

Director of Finance/Treasurer
San Diego County Water Authority
4677 Overland Avenue
San Diego, CA 92123
(858) 522-6671

*Additional information may be obtained from the Water Authority's website at
<http://www.sdcwa.org/financials-investor-relations>*

ATTACHMENTS

Appendix A – Water Authority Financial Statements

Appendix B – Form of Opinion of Bond Counsel

Appendix C – Annual Statement of Investment Policy Calendar Year 2019

Appendix D – Information Regarding DTC and the Book-Entry Only System

Appendix A
Water Authority Financial Statements

Appendix B

Form of Opinion of Bond Counsel

On May 11, 2016, the Water Authority received an opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, in the following form:

Board of Directors
San Diego County Water Authority
San Diego, California

San Diego County Water Authority
Commercial Paper Notes, Series 9
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the San Diego County Water Authority (the “Issuer”) in connection with authorization of issuance of up to \$135,000,000 aggregate principal amount (at any time Outstanding) of commercial paper notes by the Issuer, pursuant to and by authority of the provisions of Section 8.2 of the County Water Authority Act, Resolution No. 89-21 adopted by the Board of Directors of the Issuer on May 11, 1989, entitled “A Resolution of the Board of Directors of the San Diego County Water Authority Providing for the Allocation of Water System Revenues and Establishing Covenants to Secure the Payment of Obligations Payable from Net Water Revenues”, as amended (the “General Resolution”), and an Issuing and Paying Agent Agreement (Series 9), dated as of May 1, 2016 (the “Issuing and Paying Agent Agreement”), between the Issuer and U.S. Bank National Association (the “Issuing and Paying Agent”), and designated San Diego County Water Authority Commercial Paper Notes, Series 9 (the “Notes”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the General Resolution.

In such connection, we have reviewed the General Resolution, the Issuing and Paying Agreement, the Tax Certificate of the Issuer, dated the date hereof (the “Tax Certificate”), certificates of the Issuer, the Issuing and Paying Agent and others, opinions of counsel to the Issuer and the Issuing and Paying Agent and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof and before or after Notes are issued. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy (as of the date hereof and as of each date of issuance from time to time of the Notes) of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinion, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants

and agreements contained in the General Resolution, the Issuing and Paying Agent Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Notes to be included in gross income for federal income tax purposes, possibly retroactive to the date on which the first Notes were issued. We call attention to the fact that the rights and obligations under the Notes, the General Resolution, the Issuing and Paying Agent Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against county water authorities in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Offering Memorandum or other offering material relating to the Notes and express no opinion with respect thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The General Resolution has been duly adopted by the Board of Directors of the Issuer and is in full force and effect, and the Issuing and Paying Agent Agreement has been duly executed and delivered by, and constitutes a valid and binding obligation of, the Issuer.

2. The Notes, when duly issued from time to time in the form authorized by and otherwise in compliance with the Issuing and Paying Agent Agreement, executed by a duly authorized official of the Issuer and authenticated by the Issuing and Paying Agent against payment therefor, will constitute the valid and binding limited obligations of the Issuer, payable solely from Net Water Revenues, and neither the full faith and credit nor the taxing power of the Issuer, the State of California or any of its political subdivisions is pledged for the payment thereof.

3. Interest on the Notes, when issued in accordance with the Issuing and Paying Agent Agreement and the Tax Certificate, will be excluded from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986 and exempt from State of California personal income taxes. The amount treated as interest on the Notes and excluded from gross income will depend upon the taxpayer's elective under Internal Revenue Service Notice 94-84. Interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that interest on the Notes is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

Appendix C
Annual Statement of Investment Policy
Calendar Year 2019

Appendix D

Information Regarding DTC and the Book-Entry Only System

Neither the Water Authority nor the Issuing and Paying Agent will have any responsibility or obligation to DTC Participants, Indirect Participants or Beneficial Owners with respect to the payments or the providing of notice to DTC Participants, Indirect Participants or Beneficial Owners. Neither the Water Authority nor the Issuing and Paying Agent can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of and interest on the Series 9 Notes paid to DTC or its nominee, as the registered Holder, or any notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Offering Memorandum.

The following information regarding DTC and its book-entry only system has been furnished by DTC for inclusion herein. The Water Authority cannot and does not make any representation as to the accuracy or completeness thereof, or the absence of material adverse changes therein subsequent to the date hereof. Beneficial Owners should confirm the following information with DTC or the Participants, as the case may be.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 9 Notes. The Series 9 Notes 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 Series 9 Note will be issued in the aggregate authorized principal amount of the Series 9 Notes and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 9 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 9 Notes on DTC’s records. The ownership interest of each actual purchaser of each Series 9 Note (“**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 Series 9 Notes 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 Series 9 Notes, except in the event that use of the book-entry system for the Series 9 Notes is discontinued.

To facilitate subsequent transfers, all Series 9 Notes 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 Series 9 Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 9 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 9 Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 9 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 9 Notes, such as tenders, defaults, and proposed amendments to the Series 9 Note documents. For example, Beneficial Owners of Series 9 Notes may wish to ascertain that the nominee holding the Series 9 Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 9 Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Water Authority 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 Series 9 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest with respect to the Series 9 Notes 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 Water Authority or the Issuing and Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Issuing and Paying Agent or the Water Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest with respect to the Series 9 Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Water Authority or the Issuing and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 9 Notes at any time by giving reasonable notice to the Water Authority or the Issuing and Paying Agent. Under such

circumstances, in the event that a successor depository is not obtained, Series 9 Note certificates are required to be printed and delivered, as described in the Issuing and Paying Agent Agreement.

The Water Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 9 Note certificates will be printed and delivered to DTC as described in the Issuing and Paying Agent Agreement.

The information in this Appendix D concerning DTC and DTC's book-entry system has been obtained from sources that the Water Authority believes to be reliable, but the Water Authority takes no responsibility for the accuracy thereof.

The foregoing description of the procedures and record-keeping with respect to beneficial ownership interests in the Series 9 Notes, payment of the principal, interest and other payments with respect to the Series 9 Notes to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Series 9 Notes and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Water Authority cannot and does not give any assurances that DTC will distribute to DTC Participants, or that DTC Participants or others will distribute to the Beneficial Owners, payments of principal and interest with respect to the Series 9 Notes paid or any notices or that they will do so on a timely basis or will serve and act in the manner described in this Offering Memorandum. The Water Authority is not responsible or liable for the failure of DTC or any DTC Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Series 9 Notes or any error or delay relating thereto.

So long as Cede & Co. is the registered owner of the Series 9 Notes, as nominee of DTC, references herein to the Holders or registered holders of the Series 9 Notes, shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 9 Notes.

Fitch:
 Moody's:
 S&P:



\$110,000,000
Commercial Paper Notes, Series 10

The Series 10 Notes (the “**Series 10 Notes**”) to be offered hereby are part of an issue of Commercial Paper Notes of the San Diego County Water Authority (the “**Water Authority**”) which are issued from time to time pursuant to the Issuing and Paying Agent Agreement (as defined herein). The Series 10 Notes will be issued as interest-bearing obligations, in book-entry form, in denominations of \$100,000 and integral multiples of \$1,000 in excess thereof. The Water Authority has appointed BofA Securities, Inc., Citigroup Global Markets Inc., Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, Loop Capital Markets LLC, Morgan Stanley & Co. LLC and RBC Capital Markets, LLC, as co-dealers for the Series 10 Notes.

On June [19], 2019, Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the Water Authority, will deliver its opinion that, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 10 Notes, when issued in accordance with the Issuing and Paying Agent Agreement and the Tax Certificate (as defined herein), will be excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. Bond Counsel’s opinion will state that interest on the Series 10 Notes is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel will express no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 10 Notes. See “TAX EXEMPTION” herein.

The Series 10 Notes will constitute limited obligations of the Water Authority, payable solely from a pledge of Net Water Revenues (as defined herein), and neither the full faith and credit nor the taxing power of the Water Authority, the State of California or any of its political subdivisions is pledged for the payment thereof. Payment of the Series 10 Notes from Net Water Revenues is subordinate to the payment of any Prior Obligations (as defined herein) presently outstanding or hereafter incurred by the Water Authority in accordance with the General Resolution (as defined herein). The Water Authority will enter into a Revolving Credit and Term Loan Agreement (the “**Liquidity Agreement**”) with Bank of the West (the “**Bank**”), pursuant to which the Bank will agree, subject to certain conditions precedent, to provide funds in an amount not to exceed \$110,000,000 for the payment of the principal of the Series 10 Notes. **The Liquidity Agreement is not available to be drawn upon to pay interest on the Series 10 Notes.** Unless terminated earlier or extended in accordance with its terms, the Liquidity Agreement will terminate on June [], 2024.

UNDER CERTAIN CIRCUMSTANCES, THE OBLIGATION OF THE BANK TO MAKE ADVANCES UNDER THE LIQUIDITY AGREEMENT WILL TERMINATE OR BE SUSPENDED IMMEDIATELY, AUTOMATICALLY AND WITHOUT NOTICE TO HOLDERS OF THE SERIES 10 NOTES. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PAY SUCH SERIES 10 NOTES. See “SUMMARY OF CERTAIN PROVISIONS OF THE LIQUIDITY AGREEMENT – Remedies” herein.

BofA Merrill Lynch Citigroup Goldman Sachs & Co.
J.P. Morgan Loop Capital Markets Morgan Stanley RBC Capital Markets
 as Dealers

Dated: June [14], 2019

\$110,000,000
San Diego County Water Authority
Commercial Paper Notes, Series 10

INFORMATION CONCERNING THE OFFERING

BofA Securities, Inc., Citigroup Global Markets Inc., Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, Loop Capital Markets LLC, Morgan Stanley & Co. LLC and RBC Capital Markets, LLC (collectively the “**Dealers**”) have been appointed to serve as exclusive dealers for the Commercial Paper Notes, Series 10 (the “**Series 10 Notes**”) of the San Diego County Water Authority (the “**Water Authority**”). This Offering Memorandum relates to the offering, from time to time, of up to \$110,000,000 aggregate principal amount of the Series 10 Notes under the Issuing and Paying Agent Agreement (Series 10), dated as of June 1, 2019 (the “**Issuing and Paying Agent Agreement**”), between the Water Authority and U.S. Bank National Association (the “**Issuing and Paying Agent**”). The aggregate principal amount of the Series 10 Notes outstanding may change from time to time as provided in the Issuing and Paying Agent Agreement.

THE COMMERCIAL PAPER NOTES

Purpose of the Series 10 Notes

Proceeds of the Series 10 Notes will be used to provide funds to refinance the cost of design, acquisition and construction of water system improvements in furtherance of the Water Authority’s Capital Improvement Program.

Description of the Series 10 Notes

The Series 10 Notes will be dated the date of their respective authentication, will be issued as interest bearing obligations in denominations of \$100,000 and integral multiples of \$1,000 in excess thereof and, except as described below, will be issued in book-entry form through the book-entry system of The Depository Trust Company (“**DTC**”). Each note will bear interest from its date of issuance at the rate determined at the date of issuance payable at maturity. The Series 10 Notes will mature no later than 270 days from the date of issuance; provided that, so long as the Liquidity Agreement (as defined herein) is in effect, no Series 10 Notes may be issued with a maturity date after the business day prior to the scheduled expiration date of the Liquidity Agreement or, if an Alternate Facility (as defined in the Liquidity Agreement) will be available with respect to the Series 10 Notes, after the business day prior to the scheduled expiration date of the Alternate Facility. Interest will be computed on the basis of a 365- or 366-day year, and the actual number of days elapsed. The principal of and interest on the Series 10 Notes in book-entry form will be paid at maturity to DTC and distributed by it to its participants as described below.

The Series 10 Notes will be delivered as fully registered certificates and registered in the name of Cede & Co., as registered owner and nominee for DTC. Beneficial ownership interests in the Series 10 Notes will be available in book-entry form only, and purchasers of the Series 10 Notes will not receive certificates representing their interests in the Series 10 Notes purchased. While held in book-entry only form, the Issuing and Paying Agent will make all payments of principal and interest with respect to the Series 10 Notes by wire transfer to DTC or its nominee as the sole registered owner of the Series 10 Notes. Payments to the beneficial owners are the responsibility of DTC and its participants. See Appendix D – “Information Regarding DTC and the Book-Entry Only System.”

Security for the Series 10 Notes

The Water Authority expects to pay the principal of the Series 10 Notes with the proceeds of additional Series 10 Notes until the Water Authority provides permanent financing for those water system improvements refinanced with the Series 10 Notes or until, from time to time, revenues of the Water Authority are available to pay for the Series 10 Notes.

The Series 10 Notes will constitute limited obligations of the Water Authority, payable solely from Net Water Revenues (as defined herein), and neither the full faith and credit nor the taxing power of the Water Authority, the State of California or any of its political subdivisions is pledged for the payment thereof. Payment of the Series 10 Notes from Net Water Revenues is subordinate to the payment of any Prior Obligations (as defined herein) presently outstanding or hereafter incurred by the Water Authority in accordance with Resolution 89-21, adopted by the Board of Directors of the Water Authority on May 11, 1989, as supplemented by Resolution No. 97-52, adopted by the Board of Directors of the Water Authority on December 11, 1997, and by Resolution No. 09-23, adopted by the Board of Directors of the Water Authority on December 17, 2009 (as supplemented, the “**General Resolution**”).

Pursuant to a Revolving Credit and Term Loan Agreement to be dated as of June [19], 2019 (the “**Liquidity Agreement**”), by and between the Water Authority and Bank of the West (the “**Bank**”), the Bank will agree, subject to certain conditions precedent, to provide funds in an amount not to exceed \$110,000,000 for the payment of Series 10 Notes principal when due. Unless terminated earlier or extended in accordance with its terms, the Liquidity Agreement will terminate on June [], 2024. See “SUMMARY OF CERTAIN PROVISIONS OF THE LIQUIDITY AGREEMENT” herein.

UNDER CERTAIN CIRCUMSTANCES, THE OBLIGATION OF THE BANK TO MAKE ADVANCES UNDER THE LIQUIDITY AGREEMENT WILL TERMINATE OR BE SUSPENDED IMMEDIATELY, AUTOMATICALLY AND WITHOUT NOTICE TO HOLDERS OF THE SERIES 10 NOTES. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PAY SUCH SERIES 10 NOTES. See “SUMMARY OF CERTAIN PROVISIONS OF THE LIQUIDITY AGREEMENT – Remedies” herein.

The Water Authority may deliver an Alternate Facility in place of the Liquidity Agreement; provided, no such delivery may result in the termination of the Liquidity Agreement then in effect so long as Series 10 Notes for the payment of the principal of which such Liquidity Agreement is providing liquidity remain outstanding.

To provide security for the payment of the principal of and interest on the Series 10 Notes as the same shall become due and payable, the Issuing and Paying Agent Agreement grants a lien on and pledge of, subject only to the provisions of the Issuing and Paying Agent Agreement permitting the application thereof for purposes of the terms and conditions set forth therein, (i) the proceeds from the sale of Series 10 Notes issued pursuant to the Issuing and Paying Agent Agreement for the purpose of refinancing, renewing or refunding the Series 10 Notes, (ii) the amount held in the Commercial Paper Note Payment Fund (on a pro rata basis with any other commercial paper notes secured by such fund) until the amounts deposited therein are used for authorized purposes, (iii) amounts held by the Issuing and Paying Agent in the Issuing and Paying Agent Fund, (iv) the amounts held in the Commercial Paper Note Construction Fund (on a pro rata basis with any other commercial paper notes secured by such fund), (v) the proceeds of any other indebtedness of the Water Authority issued or incurred solely for the payment of principal of and interest on the Series 10 Notes, (vi) any other moneys of the Water Authority hereafter pledged by the Water Authority for the payment of principal of and interest on the Series 10 Notes and (vii) the proceeds of Advances (as defined in the Liquidity Agreement), and the principal of and interest on the Series 10 Notes

are equally and ratably secured by and payable from a lien on and pledge of the sources hereinabove identified in clauses (i) through (vii) above, subject and subordinate only to the exceptions noted therein.

Additionally, to provide for the payment of the principal of and interest on the Series 10 Notes as the same shall become due and payable, the Water Authority shall, from Net Water Revenues on deposit in the Subordinate Obligations Payment Fund established under the General Resolution on a parity with all other Subordinate Obligations (as defined herein), deposit in the Commercial Paper Note Payment Fund from time to time amounts sufficient, together with other moneys available therefor for the timely payment of principal of and interest on the Series 10 Notes. Such payment shall be subject and subordinate to the application of Net Water Revenues to the payment of principal and accreted value of, premium, if any, interest on, and any reserve fund requirements for, or other obligations with respect to, any senior obligations of the Water Authority.

Unless the Series 10 Notes are paid from the source described in the clauses (i) through (vii) above, such payment is to be made from Net Water Revenues deposited in the Commercial Paper Note Payment Fund.

For purposes of the foregoing:

“General Resolution” means Resolution No. 89-21 adopted by the Board of Directors of the Water Authority on May 11, 1989, entitled “A Resolution of the Board of Directors of the San Diego County Water Authority Providing for the Allocation of Water System Revenues and Establishing Covenants to Secure the Payment of Obligations Payable from Net Water Revenues,” as supplemented by Resolution No. 97-52, adopted by the Board of Directors of the Water Authority on December 11, 1997, and Resolution No. 09-23, adopted by the Board of Directors of the Water Authority on December 17, 2009, as it may be further modified, amended or supplemented.

“Net Water Revenues” means, for any fiscal year or other period, the Water Revenues during such fiscal year or period, less the Maintenance and Operation Costs during such fiscal year or period.

“Water Revenues” means Current Water Revenues plus deposits to the Water Revenue Fund established under the General Resolution from amounts on deposit in the Rate Stabilization Fund, established under the General Resolution, less amounts transferred to the Rate Stabilization Fund.

“Current Water Revenues” means all gross income and revenue received or receivable by the Water Authority from the ownership or operation of the Water System, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges (including connection fees and charges and standby charges) received by the Water Authority for the Water Service and other services of the Water System and all other income and revenue howsoever derived by the Water Authority from the ownership or operation of the Water System or arising from the Water System, and also including investment income with respect to certain funds and accounts.

“Maintenance and Operation Costs” means all costs paid or incurred by the Water Authority for maintaining and operating the Water System, determined in accordance with Generally Accepted Accounting Principles, including all costs of water purchased by the Water Authority for resale, and including all expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including all administrative costs of the Water Authority, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and including all other costs of the Water Authority or charges required to be paid by it to comply with the terms of the General Resolution or of any resolution authorizing the execution of any Contract or of such Contract or of any resolution authorizing the issuance of any Bonds or of such Bonds, such as compensation,

reimbursement and indemnification of the trustee, seller, lender or lessor for any such Contracts or Bonds and fees and expenses of Independent Certified Public Accountants; but excluding in all cases (1) depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles, premiums and discounts, (2) interest expense and (3) amounts paid from other than Water Revenues (including, but not limited to, amounts paid from the proceeds of ad valorem property taxes.)

“Prior Obligations” means the Water Authority’s Water Revenue Certificates of Participation, Series 1998A and 2008A; the Water Authority’s Water Revenue Refunding Certificates of Participation, Series 2005A; the Water Authority’s Water Revenue Refunding Bonds, Series 2011A, 2011B, 2013A, 2015A, 2016A and 2016B; the San Diego County Water Authority Financing Agency Water Revenue Bonds, Series 2010A and 2010B; and any other Bonds, Contracts or evidences of indebtedness or obligations of the Water Authority authorized under the Act payable from Net Water Revenues senior to the Series 10 Notes; and

“Subordinate Obligations” means, upon the issuance of the Series 10 Notes, the Series 10 Notes, the San Diego County Water Authority Commercial Paper Notes, Series 9 (the **“Series 9 Notes”**), the San Diego County Water Authority Extendable Commercial Paper Notes, Series 1 (the **“ECP Notes”**), the San Diego County Water Authority Subordinate Lien Water Revenue Refunding Bonds, Series 2016S-1 (the **“2016S-1 Bonds”**), and any other obligations of the Water Authority authorized and executed by the Water Authority under applicable law, the interest and principal payments under and pursuant to which are payable from Net Water Revenues from the Subordinate Obligation Payment Fund as Subordinate Obligations under the General Resolution. **The Water Authority expects to refund all of the San Diego County Water Authority Commercial Paper Notes, Series 8 (the “Series 8 Notes”) from proceeds of the Series 10 Notes on June [19], 2019.**

“Bonds” means revenue bonds of the Water Authority, the principal and interest on which are payable from Net Water Revenues on a parity with the Prior Obligations.

“Contracts” means installment sale agreements, leases or contracts of indebtedness, the principal and interest with respect to which are payable by the Water Authority from Net Water Revenues on a parity with the Prior Obligations.

“Certificates” means any certificates of participation representing interests in payments to be made by the Water Authority pursuant to Contracts.

Rate Covenant

The Water Authority covenants under the General Resolution that it will at all times fix, prescribe and collect or cause to be collected rates, fees and charges for the Water Service which are reasonably fair and non-discriminatory and which will be at least sufficient to yield during the next succeeding fiscal year of the Water Authority Net Water Revenues sufficient for the payment of all amounts payable from Net Water Revenues during such fiscal year and at least equal to 120% of the Debt Service on all Bonds and Contracts for such fiscal year. The Water Authority may make adjustments from time to time in such rates, fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the Net Water Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of this covenant.

The Water Authority further covenants under the Issuing and Paying Agreement that it will prescribe, revise and collect such rates and charges for the services, facilities, availability and water of the Water System which, after making allowances for contingencies and error in estimates, will provide Water Revenues at least sufficient to pay the following amounts in the order set forth:

1. Maintenance and Operation Costs;
2. Principal and accreted value of, premium, if any, and interest on all Prior Obligations as and when the same shall become due and payable, and any required deposits into any reserve funds or accounts for the Prior Obligations, all in accordance with the Prior Obligation Documents (as defined in the Issuing and Paying Agreement);
3. To the extent the same are reasonably anticipated by the Water Authority to be paid with Net Water Revenues (e.g., not paid from the proceeds of additional Series 10 Notes or other refunding obligations), the principal of and interest on the Series 10 Notes and any other amounts due the Bank under the Liquidity Agreement, in each case as and when the same shall become due; and
4. Any other obligations which are payable from the Water Revenues including, without limitation, the Subordinate Obligations.

Upon the issuance of the Series 10 Notes, the Series 10 Notes will be Subordinate Obligations payable on a parity with the Series 9 Notes, the ECP Notes, the 2016S-1 Bonds and any other Subordinate Obligations secured by the Subordinate Obligation Payment Fund established under the General Resolution. **The Water Authority expects to refund all of the Series 8 Notes from proceeds of the Series 10 Notes on June [19], 2019.**

Events of Default and Remedies of Noteholders

Each of the following events shall be an Event of Default:

- (a) Default shall be made in the due and punctual payment of principal of, or interest on, any Commercial Paper Note when and as the same shall become due and payable;
- (b) Default shall be made in the due and punctual payment of the principal of, or interest on, any Bank Note or any other amounts due the Bank when and as the same shall become due and payable under the Liquidity Facility;
- (c) Default shall be made by the Water Authority in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Issuing and Paying Agent Agreement or in the Commercial Paper Notes, and such default shall continue for a period of 60 days after written notice thereof; provided, however, if such default cannot be cured within the 60 day period but corrective action to such default is commenced and diligently pursued until the default is corrected, no such Event of Default shall be deemed to have occurred;
- (d) The dissolution (without a successor being named to assume the rights and obligations) or liquidation of the Water Authority or the filing by the Water Authority of a voluntary petition in bankruptcy, or adjudication of the Water Authority as a bankrupt, or assignment by the Water Authority for the benefit of its creditors, or the entry by the Water Authority into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Water Authority in any proceeding for its reorganization instituted under the provisions of the Bankruptcy Code, as amended, or under any similar act in any jurisdiction which may now be in effect or hereafter enacted; or
- (e) The entry of an order or decree with the consent or acquiescence of the Water Authority, appointing a receiver or receivers of the Water Authority, or any part thereof, or of the rents, fees, charges or other revenues earned thereby, or if such order or decree, having been entered without the consent or

acquiescence of the Water Authority shall not be vacated or discharged or stayed within 90 days after the entry thereof.

In case one or more Events of Default shall occur, then and in every such case the Holder of any Note at the time Outstanding shall be entitled to proceed to protect and enforce such Holder's rights by such appropriate judicial proceeding as such Holder shall deem most effectual to protect and enforce any such right, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained in the Issuing and Paying Agent Agreement, or in aid of the exercise of any power granted in the Issuing and Paying Agent Agreement, or to enforce any other legal or equitable right vested in the Holders of Notes by the Issuing and Paying Agent Agreement or the Notes or by law. The provisions of the Issuing and Paying Agent Agreement shall be a contract with each and every Holder of Notes and the duties of the Water Authority shall be enforceable by any Holder of the Notes by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction.

Duties, Immunities and Liabilities of the Issuing and Paying Agent

The Issuing and Paying Agent shall perform such duties and only such duties as are specifically set forth herein and no implied covenants or obligations shall be read into the Issuing and Paying Agent Agreement against the Issuing and Paying Agent. The Issuing and Paying Agent shall have no discretionary or fiduciary duties of any kind.

THE WATER AUTHORITY

The Water Authority is a county water authority organized and existing under the County Water Authority Act, California Statutes 1943, Chapter 545, as amended (the "Act"). The Water Authority was organized on June 9, 1944, for the primary purpose of supplying water to San Diego County for wholesale distribution to the Water Authority's member agencies in order to meet their respective needs for beneficial uses and purposes.

The Water Authority has 24 member agencies, consisting of six cities, including the City of San Diego, 17 special districts and the Pendleton Military Reservation. A 36-member Board of Directors (the "Board") governs the Water Authority with each of the member agencies having at least one voting representative on the Board. Any member agency may appoint one additional representative for each full five percent (5%) of total assessed value of property taxable for Water Authority purposes that is within the public agency service area. As a result, the City of San Diego is currently entitled to representation by 10 directors and the Helix Water District, the Otay Water District and Carlsbad Municipal Water District are each currently entitled to representation by two directors. Directors are appointed to six-year terms by the chief executive officers of the respective member agencies, subject to approval by the agencies' governing bodies. Under the Act, a member agency's weighted vote is based on its "total financial contribution" to the Water Authority as determined annually by the Board of Directors. Total financial contribution includes all amounts paid in taxes, assessments, fees and charges paid to or on behalf of the Water Authority and The Metropolitan Water District of Southern California excluding charges for water treatment with respect to property located within each member agency.

The Water Authority is authorized to acquire water and water rights within or outside the State of California; to develop, store and transport such water; to provide, sell and deliver water for beneficial uses and purposes and to provide, sell and deliver water of the Water Authority not needed or require for beneficial purposes of its member agencies to areas outside the boundaries of the Water Authority.

The Water Authority is further authorized by the Act (i) to utilize its water, works, facilities, improvements and property used for the development, storage or transportation of water, to provide,

generate and deliver hydroelectric power, and may acquire, construct, operate and maintain any and all works, facilities, improvements and property necessary or convenient for that utilization; (ii) to provide, sell and deliver hydroelectric power to the United States of America or to any board, department or agency thereof, to the State of California for the State Water Project and to any other public agency, private corporation or any other person or entity engaged in the sale of electric power at retail or wholesale; (iii) to acquire, construct, own, operate, control or use works for supplying its member public agencies with gas or electricity; and (iv) to purchase gas, electricity or related services from the United States of America or any board, department or agency thereof, the State of California, any public agency, person or private company and provide, sell, exchange or deliver them to any public agency, private company, or person engaged in the sale of gas or electricity at retail.

The most recent descriptions of the Water Authority, the member agencies, the service area, the water supply, the water facilities and other considerations may be found either in the Water Authority's most recent Official Statement or Offering Memorandum or the Water Authority's Continuing Disclosure Annual Report filed annually with the Municipal Securities Rulemaking Board (the "MSRB"). Pursuant to the provisions of the Act, additional entities are authorized to join the Water Authority. The Act also entitles member agencies to withdraw from the Water Authority, subject to certain restrictions.

On May 21, 2019, the Water Authority was told that two of its member agencies, Fallbrook Public Utility District and the Rainbow Municipal Water District, plan to initiate proceedings with the San Diego Local Agency Formation Commission in 2019 to withdraw from the Water Authority and to seek voter approval for such withdrawals in 2020. The Water Authority is unable to predict the impact any such potential withdrawal(s) would have on Net Water Revenues or the Water Authority's ability to pay debt service on Revenues Secured Debt.

The Capital Improvement Program

The Water Authority's goal is to provide a safe and reliable supply of water to its member agencies serving the San Diego region by maintaining an operationally flexible water storage, treatment and distribution system. To achieve this goal, the Water Authority has implemented a strategic plan, a component of which is known as the Capital Improvement Program (the "CIP").

The Water Authority staff prepares periodic studies to project the future water demands in its service area. These Water Authority studies review the most recent information on member agency projected water demands, demographics and population estimates by the San Diego Association of Governments. These projections are incorporated into the CIP.

A description of the Water Authority's Long-Range Financing Plan, the CIP and other obligations issued to fund the CIP may be found either in the Water Authority's most recent Official Statement or Offering Memorandum or the Water Authority's Continuing Disclosure Annual Report filed annually with the MSRB. See "OTHER MATTERS."

Sources of Revenue

Water rates generate the majority of the Water Authority's revenue stream. The Water Authority's Board of Directors determines water rates which, under the General Resolution, must be reasonably fair and nondiscriminatory. See "THE COMMERCIAL PAPER NOTES – Rate Covenant" above. These rates are not subject to regulation by the California Public Utilities Commission or by any other local, state or federal agency. The Water Authority bills member agencies for water deliveries monthly. The Water Authority also imposes standby charges, capacity charges and infrastructure access charges and receives property tax revenues and in-lieu charges. The imposition of taxes, assessments, rates and charges by the

Water Authority is subject to various constitutional and statutory limitations, including some requirements of Articles XIII A, XIII B, XIII C and XIII D of the California Constitution, and are subject to reduction or repeal through the initiative process as provided in Article XIII C of the California Constitution.

Outstanding Debt

As of June 1, 2019, the Water Authority had \$1,505,635,000 aggregate principal amount of Prior Obligations outstanding.

The Series 8 Notes are currently outstanding in the aggregate principal amount of \$110,000,000, with liquidity provided by a line of credit from The Bank of Tokyo-Mitsubishi, UFJ, Ltd., acting through its New York Branch. **The Water Authority expects to issue the Series 10 Notes to refund all of the Series 8 Notes on June [19], 2019, with liquidity to be provided by Bank of the West. The liquidity agreement in connection with the Series 8 Notes will be terminated on such date.**

The Series 9 Notes are currently outstanding in the aggregate principal amount of \$135,000,000, with liquidity provided by a line of credit from Bank of America, N.A.

The ECP Notes are currently outstanding in the aggregate principal amount of \$100,000,000.

The 2016S-1 Bonds are currently outstanding in the aggregate principal amount of \$86,685,000.

Upon the issuance of the Series 10 Notes, the Series 9 Notes, the ECP Notes and the 2016S-1 Bonds will be Subordinate Obligations under the General Resolution and are payable on parity with payment of the Series 10 Notes.

Desalination Costs

On December 24, 2012, the California Pollution Control Financing Authority issued \$530,345,000 aggregate principal amount of Water Furnishing Revenue Bonds, Series 2012 (Poseidon Resources (Channelside) LP Desalination Project) (the “**2012 Plant Bonds**”) and \$203,215,000 aggregate principal amount of California Pollution Control Financing Authority Water Furnishing Revenue Bonds, Series 2012 (San Diego County Water Authority Desalination Project Pipeline) (the “**2012 Pipeline Bonds**”) to finance a desalination project located in Carlsbad, California, including a desalination plant and a 10-mile pipeline to deliver desalinated water from the desalination plant to the Water Authority’s water system. The Claude “Bud” Lewis Carlsbad Desalination Plant began commercial operation in December 2015. On February 20, 2019, the California Pollution Control Financing Authority issued \$183,155,000 aggregate principal amount of Water Furnishing Revenue Refunding Bonds, Series 2019 (San Diego County Water Authority Desalination Project Pipeline) (the “**2019 Pipeline Bonds**”) to refund and redeem the outstanding 2012 Pipeline Bonds. The 2012 Plant Bonds and the 2019 Pipeline Bonds are collectively referred to herein as the “**Desalination Bonds**”.

In connection with the desalination project, the Water Authority entered into a Carlsbad Seawater Desalination Project Water Purchase Agreement, dated December 20, 2012 (the “**Desalination Water Purchase Agreement**”), by and between the Water Authority and Poseidon Resources (Channelside) LP, and a Pipeline Installment Sale and Assignment Agreement, dated December 24, 2012, as amended (the “**Desalination Installment Sale Agreement**”), by and between the Water Authority and the San Diego County Water Authority Financing Agency. It is expected that payments made by the Water Authority under these agreements will constitute a substantial portion of the amounts ultimately applied to pay debt service payments on the Desalination Bonds, contingent on attainment of certain operating and product water delivery conditions. Purchases of water pursuant to the Desalination Water Purchase Agreement

constitute Maintenance and Operation Costs (as defined in the General Resolution), while installment payments to be made pursuant to the Desalination Installment Sale Agreement are obligations payable from amounts constituting Net Water Revenues on deposit in the General Reserve Fund established under the General Resolution, subordinate to the pledge of Net Water Revenues for the payment of Bonds, Contracts, Reimbursement Payments (as defined in the General Resolution) and Subordinate Obligations.

Investment Policy

The investment policies and practices of the Board of Directors and the Treasurer for the Water Authority are based upon limitations placed on it by governing legislative bodies. The investment policy of the Water Authority is reviewed and submitted annually to the Board of Directors of the Water Authority and is subject to change. A copy of the Water Authority's Annual Statement of Investment Policy for Calendar Year 2019 is attached hereto as Appendix C.

Water Authority Financial Statements

The financial statements of the Water Authority for the fiscal year ending June 30, 2018, are attached hereto as Appendix A. Additional financial and operating data relating to the Water Authority's water system may be found in the Water Authority's most recent Continuing Disclosure Annual Report filed annually with the MSRB. See "OTHER MATTERS."

DESCRIPTION OF THE BANK

The following information has been provided by the Bank for inclusion in this Offering Memorandum. None of the Water Authority or the Dealers make any representation as to the accuracy or completeness of this information or as to the absence of material adverse changes with respect to the Bank or its financial condition subsequent to the date hereof.

Bank of the West is a financial services company headquartered in San Francisco with \$87.4 billion in assets as of December 31, 2018. With community bank roots dating back more than 140 years, the Bank operates a network of retail, wealth, commercial and business banking branches and offices in 24 states. The Bank has more than 10,400 team members serving the needs of 2.06 million customers.

Through major business areas – Commercial Banking, Consumer Banking, and Wealth Management – the Bank originates commercial, small business and consumer loans and leases, and offers a wide range of banking, trust and investment solutions for individuals and businesses.

In addition to banking products offered by the Bank, investment and insurance services are offered through its subsidiary, BancWest Investment Services, a registered broker/dealer.

The Bank is a subsidiary of BNP Paribas, a leading bank in Europe, which has a presence in 72 countries with more than 200,000 employees.

As of the quarter ending December 31, 2018, the Bank had total assets of approximately \$87.4 billion and total deposits of \$66.3 billion. The Bank reported fourth 2018 earnings of \$182.2 million. As of December 31, 2018, the Tier I Risk-Based Capital Ratio was 12.32%; Total Risk-Based Capital Ratio was 13.27%; and Tier I Leverage Ratio 10.20%.

As of the year ending December 31, 2018, the Bank had total assets of approximately \$87.4 billion and total deposits of \$66.3 billion. The Bank reported 2018 earnings of \$182.2 million. As of December

31, 2018, the Tier I Risk-Based Capital Ratio was 12.32%; Total Risk-Based Capital Ratio was 13.27%; and Tier I Leverage Ratio 10.20%.

The principal offices of the Bank are located at 180 Montgomery Street, San Francisco, California, 94104, and its telephone number is (925) 942-8300. The Bank files financial reports with the Federal Deposit Insurance System (“FDIC”) and those reports may be viewed on the FDIC’s web site at: <http://www.fdic.gov>.

SUMMARY OF CERTAIN PROVISIONS OF THE LIQUIDITY AGREEMENT

General

The following description is a summary of certain provisions of the Liquidity Agreement. Such summary does not purport to be a complete description or restatement of the material provisions of the Liquidity Agreement. Investors should obtain and review a copy of the Liquidity Agreement in order to understand all of the terms of that document.

Subject to the terms and conditions of the Liquidity Agreement, the Bank agrees to make Advances (as defined in the Liquidity Agreement) from time to time on any Business Day (as defined in the Liquidity Agreement) during the Commitment Period (as defined in the Liquidity Agreement) in amounts which, together with the principal amount of any Advances and Term Loans (as defined in the Liquidity Agreement) then outstanding, shall not exceed at any time outstanding the Commitment (as defined in the Liquidity Agreement). Each Advance shall be made solely for the purpose of providing funds to pay the principal of Series 10 Notes on the maturity date thereof to the extent that proceeds of other Series 10 Notes or Net Water Revenues are not available therefor. The aggregate principal amount of all Advances made on the date of any Advance shall not exceed the Available Commitment (as defined in the Liquidity Agreement) (calculated without giving effect to any Advances made on such date) at 9:00 a.m. (New York City time) on such date. **The proceeds of Advances shall not be available to pay interest on Series 10 Notes.**

Under certain circumstances described below, the obligation of the Bank to purchase the Series 10 Notes may be immediately suspended or terminated without notice to the holders thereof. In such event, sufficient funds may not be available to purchase Series 10 Notes.

Certain Definitions

For purposes of this Section, the Liquidity Agreement defines “Basic Documents”, “Collateral”, “Debt”, “Prior Obligations” and “Revenues Secured Debt” as follows:

“**Basic Documents**” means the Issuing and Paying Agent Agreement, the Fee Letter, the Revolving Note, the Term Note, the General Resolution and the Dealer Agreement (each as defined in the Liquidity Agreement).

“**Collateral**” means those funds and other assets pledged to secure the Series 10 Notes, the Revolving Note and the Term Note pursuant to the Issuing and Paying Agent Agreement and the General Resolution.

“**Debt**” means (a) all Bonds (as defined in the Liquidity Agreement), Contracts (as defined in the Liquidity Agreement) and other evidences of indebtedness or obligations of the Water Authority, including, without limitation, Subordinate Obligations (as defined in the Liquidity Agreement), that are payable from or secured by Net Water Revenues and are evidenced by bonds, debentures, notes or other similar

instruments, including, without limitation, the Series 10 Notes, the Revolving Note and the Term Note, (b) all other indebtedness of the Water Authority for borrowed money, (c) obligations of the Water Authority as lessee under any lease of property, real or personal, that, in accordance with GAAP (as defined in the Liquidity Agreement), would be required to be capitalized on a balance sheet of the lessee thereof, (d) obligations of the Water Authority on or with respect to letters of credit, banker's acceptances or other evidences of indebtedness representing extensions of credit, whether or not representing obligations for borrowed money, (e) all obligations for the deferred purchase price of property or services (other than trade accounts payable occurring in the ordinary course of business), (f) any obligation of the Water Authority guaranteeing or in effect guaranteeing any other Debt, whether directly or indirectly and (g) all obligations arising under or pursuant to any Swap Contract (as defined in the Liquidity Agreement).

“Prior Obligations” means (i) Bonds and Contracts (including Certificates (as defined in the Liquidity Agreement) evidencing undivided interests therein), (ii) any bonds, notes, certificates, debentures or other evidence of similar indebtedness issued by or on behalf of the Water Authority secured by a lien on the Collateral ranking senior to or on a parity with the Series 10 Notes, the Revolving Note and the Term Note, (iii) the obligations which are scheduled payments of the Water Authority under any Swap Contract (which are secured pursuant to the Issuing and Paying Agent Agreement by a lien on the Collateral ranking senior to or on a parity with the Series 10 Notes, the Revolving Note and the Term Note) providing interest rate support with respect to any indebtedness issued by or on behalf of the Water Authority pursuant to the Issuing and Paying Agent Agreement by a lien on the Collateral ranking senior to or on a parity with the Series 10 Notes, the Revolving Note and the Term Note, (iv) any obligation of the Water Authority as lessee under a capital lease secured by a lien on the Collateral ranking senior to or on a parity with the Series 10 Notes, the Revolving Note and the Term Note (x) which is not subject to appropriation or abatement or (y) which is rated by each Rating Agency then rating the Series 10 Notes at a level equal to or higher than the long-term unenhanced debt rating assigned by each such Rating Agency (as defined in the Liquidity Agreement) to the Water Authority's Bonds and Contracts (including Certificates evidencing undivided interests therein) and (v) any Guarantee by the Water Authority secured by a lien on the Collateral ranking senior to or on a parity with the Series 10 Notes, the Revolving Note and the Term Note (*provided, however*, that the failure to pay any such Guarantee (as defined in the Liquidity Agreement) as a result of any set-off, recoupment or counterclaim or any other defense to payment under such Guarantee by the Water Authority shall not constitute a failure to pay Prior Obligations for purposes of the Liquidity Agreement).

“Revenues Secured Debt” means (i) Bonds, (ii) Contracts payable from or secured by Net Water Revenues and of a type described in or similar in nature to those described in clauses (a) and (c) of the definition of Debt, (iii) Reimbursement Payments (as defined in the Liquidity Agreement) (other than any such payments that have been accelerated under the applicable Reimbursement Agreement), (iv) the Series 2016S-1 Bonds and (v) other Debt payable from or secured by Net Water Revenues and described in clauses (a), (c) and (g) of the definition thereof (and in the case of obligations arising under or pursuant to any Swap Contract as described in clause (g) of the definition thereof, only with respect to (A) Swap Contracts that provide interest rate support and (B) obligations that constitute regularly scheduled payments that relate to Bonds, Contracts and other obligations described in clause (a) of the definition thereof) the payment of which is secured by a pledge of or Lien (as defined in the Liquidity Agreement) on Net Water Revenues senior to or on a parity with the payment of the Series 10 Notes.

Termination Events

Each of the following events shall constitute a Termination Event (as defined in the Liquidity Agreement) under the Liquidity Agreement. See also “– Remedies.” Reference is made to the Liquidity Agreement for a complete listing of all Termination Events:

(a) the Water Authority shall fail to pay (i) any amount of interest on any Series 10 Notes when the same shall become due and payable in accordance with its terms or (ii) any principal of, or interest on, the Revolving Note, the Term Note, any Advance, or any Term Loan, when the same shall become due and payable in accordance with its terms (other than as a result of the acceleration thereof as a result of certain Events of Default (as defined in the Liquidity Agreement)); or

(b) the Water Authority shall fail to pay when due and payable (whether by scheduled maturity, required prepayment or acceleration) any Revenues Secured Debt of the Water Authority, or any interest or premium thereon, and such failure shall continue beyond any applicable period of grace specified in any underlying resolution, indenture, contract or instrument pursuant to which such Revenues Secured Debt has been issued, or pursuant to the provisions of any such resolution, indenture, contract or instrument the maturity of any such Revenues Secured Debt, as a result of a payment default, shall have been or may be accelerated or required to be prepaid prior to the stated maturity thereof; *provided that* no Termination Event shall occur under this paragraph (b) as a result of the failure to pay when due and payable any Series 10 Notes if such failure to pay (i) is due solely to the Bank's failure to honor a properly presented request for an Advance in accordance with the terms of the Liquidity Agreement or (ii) the principal on any Series 10 Note or any other commercial paper note payable from Water Revenues that has liquidity support from an entity other than the Water Authority; or

(c) one or more final, unappealable judgments or orders for the payment of money which, individually or in the aggregate, equal or exceed \$15,000,000 and are payable from Water Revenues (as defined herein) or attachment against the Water Revenues shall be rendered against the Water Authority and such judgment or order shall continue unsatisfied, unstayed or undismissed for a period of sixty (60) days; or

(d) (i) The Water Authority shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its Debts payable from or secured by Water Revenues, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of the assets of the Water System (as defined in the Liquidity Agreement), or the Water Authority shall make a general assignment for the benefit of its creditors, or a debt moratorium, debt restructuring, or comparable extraordinary restriction on repayment of debt shall have been declared, announced or imposed with respect to the Bonds (as defined in the Liquidity Agreement), or any Revenues Secured Debt; or (ii) there shall be commenced against the Water Authority any case, proceeding or other action of a nature referred to in clause (i) above which (x) results in an order for such relief or in the appointment of a receiver or similar official or (y) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (iii) there shall be commenced against the Water Authority, any case, proceeding or other action seeking the issuance of a warrant of attachment, execution, restraint or similar process against all or any substantial part of the assets of the Water System or the Water Revenues, which results in the entry of a final and non-appealable order or ruling for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (iv) the Water Authority shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) the Water Authority shall admit in writing its inability to pay its debts; or

(e) any provision of the Liquidity Agreement, the Act, the Revolving Note, the Term Note, any Series 10 Note, the Issuing and Paying Agent Agreement or the General Resolution relating to (A) the Water Authority's ability or obligation to make payments of principal or interest on the Series 10 Notes, the Term Note, the Revolving Note, any Advance or any Term Loan or any other Revenues Secured

Debt or (B) the validity or enforceability of the pledge of and lien on the Collateral shall at any time and for any reason cease to be valid and binding on the Water Authority or shall be deemed to be null and void, invalid or unenforceable pursuant to a final, nonappealable judgment or order of any court or other Governmental Authority (as defined in the Liquidity Agreement) having jurisdiction over the Water Authority with respect to such matters; or

(f) the long-term unenhanced ratings assigned by Moody's, Fitch and S&P to any of the Bonds, Certificates or Subordinate Obligations (if rated) shall be withdrawn or suspended (but excluding withdrawals or suspensions if the Rating Agency stipulates in writing that the rating action is being taken for non-credit related reasons) or reduced below "Baa3" (or its equivalent), "BBB-" (or its equivalent) and "BBB-" (or its equivalent), respectively.

Suspension Events

Each of the following events shall constitute a Suspension Event (as defined in the Liquidity Agreement) under the Liquidity Agreement. See also "– Remedies." Reference is made to the Liquidity Agreement for a complete listing of all Suspension Events:

(a) (i) Any Governmental Authority with jurisdiction to rule on the validity or enforceability of the Liquidity Agreement, the Act, the Revolving Note, the Term Note, any Series 10 Notes, the Issuing and Paying Agent Agreement or the General Resolution, shall find or rule, in a judicial or administrative proceeding, that any material provision of any of the foregoing relating to (A) the ability or the obligation of the Water Authority to pay, when due, the principal or interest payable on the Series 10 Notes, the Term Note, the Revolving Note, any Advance or any Term Loan or any other Revenues Secured Debt or (B) the Lien (as defined in the Liquidity Agreement) on or pledge of Net Water Revenues securing the Series 10 Notes, the Term Note, any Term Loan or any other Revenues Secured Debt is not valid or not binding on, or enforceable against, the Water Authority; or (ii) the Water Authority (A) makes a claim in a judicial or administrative proceeding that the Water Authority has no further liability or obligation under the Liquidity Agreement, the Act, the Revolving Note, the Term Note, any Series 10 Notes, the Issuing and Paying Agent Agreement or the General Resolution, or any Revenues Secured Debt, as and to the extent the Water Authority has obligations thereunder, to pay, when due, the principal or interest payable on the Series 10 Notes, the Term Note, any Term Loan or any other Revenues Secured Debt, or (B) contests in a judicial or administrative proceeding the validity or enforceability of any provision of the Liquidity Agreement, the Act, the Revolving Note, the Term Note, any Series 10 Notes, the Issuing and Paying Agent Agreement or the General Resolution, or any other Revenues Secured Debt secured by and relating to (1) the ability or the obligation of the Water Authority to pay, when due, the principal or interest payable on the Series 10 Notes, the Term Note, the Revolving Note, any Advance or any Term Loan or any other Revenues Secured Debt or (2) the Lien on or pledge of Net Water Revenues (as defined in the Liquidity Agreement) securing the Series 10 Notes, the Term Note, the Revolving Note, any Advance or any Term Loan or any other Revenues Secured Debt; or

(b) there shall be commenced against the Water Authority any case, proceeding or other action seeking the issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of the assets of the Water System or the Water Revenues, which shall not have been vacated, discharged, or stayed or bonded pending appeal; or

(c) there shall be commenced against the Water Authority in a United States court of competent jurisdiction any case, proceeding or other action (i) under any existing or future law of any United States jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to the Water Authority, or seeking to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution,

composition or other relief with respect to it, or seeking to declare a moratorium with respect to (x) any Series 10 Note, the Revolving Note, the Term Note, any Advance or any Term Loan or (y) all Revenues Secured Debt, or (ii) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of the assets of the Water System or the Water Revenues, or the Water Authority shall make a general assignment for the benefit of its creditors which remains undismissed, undischarged or unbonded.

Notice Event of Default

Each of the following events shall constitute a Notice Event of Default (as defined in the Liquidity Agreement) under the Liquidity Agreement. See also “– Remedies.” Reference is made to the Liquidity Agreement for a complete listing of all Notice Events of Default:

(a) the Water Authority shall fail to pay when due any amount payable under the Liquidity Agreement or under the Fee Letter (other than amounts described in paragraph (a) under the heading “Termination Events” above) within five days after written demand by the Bank in respect thereof; or

(b) any representation, warranty, certification or statement made by the Water Authority in the Liquidity Agreement or in any Basic Document or in any certificate, financial statement or other document delivered pursuant to the Liquidity Agreement or any Basic Document shall (in any such case) have been incorrect or untrue in any materially adverse respect when made or deemed to have been made and such representation, warranty, certification or statement shall remain incorrect or continue for 30 days after written notice thereof shall have been given to the Water Authority by the Bank; or

(c) the Water Authority shall default in the due performance or observance of certain terms, covenants or agreements set forth in the Liquidity Agreement; or

(d) the Water Authority shall default in the due performance or observance of any term, covenant or agreement contained in the Liquidity Agreement (other than those covered by paragraph (a) or (b) under the heading “Termination Events” above and paragraph (a) or (c) under this heading “**Notice Event of Default**”) and such default, if capable of being remedied, shall remain unremedied for thirty (30) days after written notice thereof shall have been given to the Water Authority by the Bank; provided, however, such breach shall not constitute an Event of Default after such thirty (30) day period for such period of time as the Water Authority is diligently pursuing a cure or correction of such breach, but in no event for a period of time of more than sixty (60) days after such written notice; or

(e) an “Event of Default” as defined in the Issuing and Paying Agent Agreement or any “event of default” under the General Resolution shall occur and be continuing or the Water Authority shall default in the due performance or observance of any material term, covenant or agreement contained in any other Basic Document and the same shall not have been cured within any applicable cure period; or

(f) the Water Authority shall fail to pay when due and payable (whether by scheduled maturity, required prepayment or acceleration) any other Debt of the Water Authority having an aggregate principal amount or notional amount in excess of \$15,000,000 and such failure shall continue beyond any applicable period of grace specified in any underlying indenture, contract or instrument providing for the creation thereof; or

(g) (i) any of Moody’s, S&P or Fitch shall withdraw or suspend the long-term unenhanced rating on the Bonds or Certificates or (ii) any two of Moody’s, S&P or Fitch shall reduce the long-term unenhanced rating on the Bonds or Certificates below “A2” (or its equivalent), “A” (or its

equivalent), or “A” (or its equivalent), respectively; *provided that* any such withdrawal or suspension referred to in clause (i) of this paragraph (g) shall not constitute an Event of Default under this paragraph (g) if (x) such withdrawal or suspension is the result of a determination by the Water Authority to cease maintaining such rating and (y) following such withdrawal or suspension the Water Authority shall maintain at least one long-term rating on the Revolving Note and the Term Note; or

(h) any Governmental Authority shall declare a financial emergency with respect to the Water Authority and shall appoint or designate with respect to the Water Authority, an entity such as an organization, board, commission, authority, agency or body to manage the affairs and operations of the Water System; or

(i) the occurrence of any “default” resulting from a failure by the Water Authority to perform any of its obligations under any agreement or instrument providing credit enhancement or liquidity support with respect to any Prior Obligations or Subordinate Obligations, or pursuant to which the related holders purchased and continues to hold the same, which default results in an acceleration of such Prior Obligations or Subordinate Obligations, as applicable, or the obligations of the Water Authority under such agreement or instrument; or

(j) any material provision of the Liquidity Agreement, the Revolving Note, the Term Note, any Series 10 Note, the Issuing Agreement or the General Resolution, other than a provision described in paragraph (e) under the heading “Termination Events”, shall at any time and for any reason cease to be valid and binding on the Water Authority as a result of a ruling, finding, decree, order, legislative act or similar action by a Governmental Authority having jurisdiction over the Water Authority with respect to such matters or shall be declared in a final nonappealable judgment by any court having jurisdiction over the Water Authority to be null and void, invalid, or unenforceable, or the validity or enforceability thereof shall be publicly contested by the Water Authority.

Remedies

The following are remedies available to the Bank under the Liquidity Agreement upon the occurrence of certain events of default thereunder:

(a) Immediate Termination. Upon the occurrence of any Termination Event, (i) the Commitment and the obligation of the Bank to make Advances under the Liquidity Agreement shall immediately and automatically terminate, without notice from the Bank, and (ii) all amounts due under the Liquidity Agreement and under the Revolving Note and the Term Note shall immediately become due and payable; *provided that* the Event of Default described in paragraph (b) under the heading “Termination Events” above as it pertains to the failure to pay principal on any Series 10 Notes will not constitute a “Termination Event” under the Liquidity Agreement if such Event of Default results from a failure to draw on a liquidity facility for commercial paper notes and is cured on or before the next Business Day.

(b) Suspension Events. (i) Upon the occurrence of an Event of Default described under paragraph (a) under the heading “Suspension Events” above, the obligation of the Bank to make Advances under the Liquidity Agreement shall be immediately and automatically suspended from the time of the occurrence of such Event of Default, *provided, however*, that if the provisions of the Liquidity Agreement, the Act, the Revolving Note, the Term Note, the Series 10 Notes, the Issuing and Paying Agent Agreement or the General Resolution in question are upheld in their entirety, then the Bank’s obligations under the Liquidity Agreement shall be automatically reinstated and the terms of the Liquidity Agreement will continue in full force and effect (unless the Liquidity Agreement shall have otherwise expired or been terminated in accordance with its terms) as if there had been no such suspension.

(ii) Upon the occurrence of an Event of Default under paragraphs (b) or (c) under the heading “Suspension Events” above, the obligation of the Bank to make Advances under the Liquidity Agreement shall be immediately and automatically suspended, without notice, until the proceeding referred to therein is terminated, discharged or dismissed, as applicable, prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is terminated, discharged or dismissed, as applicable, the obligation of the Bank to make Advances under the Liquidity Agreement shall be reinstated and the terms of the Liquidity Agreement will continue in full force and effect (unless the obligation of the Bank to make Advances under the Liquidity Agreement shall have otherwise expired or terminated in accordance with the terms of the Liquidity Agreement or there has occurred a Termination Event) as if there had been no such suspension.

(c) All Events of Default. In the event any Event of Default, including, without limitation, any Termination Event, has occurred and is continuing, the Bank (i) may by written notice to the Water Authority declare all amounts due under the Liquidity Agreement or under any Revolving Note or the Term Note to be immediately due and payable, whereupon the same shall immediately become due and payable, (ii) may by written notice to the Water Authority and the Issuing and Paying Agent (a “**No-Issuance Notice**”) in substantially the form attached to the Liquidity Agreement declare the Commitment to be reduced to the principal amount of Series 10 Notes then outstanding and to be permanently reduced further on the maturity date of each such Series 10 Note by an amount equal to the principal amount of such Series 10 Note with the Commitment to be terminated upon the last maturity date applicable to all such Series 10 Notes, (iii) may petition a court of competent jurisdiction to issue a mandamus order to the Water Authority to compel specific performance of the covenants of the Water Authority contained in the Issuing and Paying Agent Agreement, in the Liquidity Agreement or in any other Basic Document and (iv) may pursue any other rights or remedies under the Liquidity Agreement, the Issuing and Paying Agent Agreement, any other Basic Document, applicable law or otherwise. Except as expressly provided under this heading “Remedies,” procurement, demand, protest and all other notices of every kind are expressly waived. Following receipt of a No-Issuance Notice, the Water Authority shall not issue any additional Series 10 Notes.

(d) Timing of No-Issuance Notice. A No-Issuance Notice that is received by the Issuing and Paying Agent at or before 12:00 p.m. (New York City time) shall be effective when received. A No-Issuance Notice that is received by the Issuing and Paying Agent after 12:00 p.m. (New York City time) shall not be effective until the opening of business on the next succeeding Business Day.

(e) Copies of Notices. Concurrently with the occurrence of a Termination Event pursuant to paragraph (a) under this heading “Remedies” or a No-Issuance Notice pursuant to paragraph (c) under this heading “Remedies,” the Water Authority shall give notice to the Issuing and Paying Agent and the Dealer.

In addition, concurrently with giving such notice to the Water Authority and the Issuing and Paying Agent, the Bank shall provide a copy thereof to the Dealer at their respective addresses referred to in the Liquidity Agreement; *provided, however*, that the Bank shall not incur any liability as a result of its failure to provide a copy of such a notice in accordance with this sentence.

TAX EXEMPTION

On June [19], 2019, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Water Authority, will deliver its opinion that, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 10 Notes, when issued in accordance with the Issuing and Paying Agent Agreement and the Tax Certificate of the Water Authority (the “**Tax Certificate**”), will be excluded

from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “**Code**”) and exempt from State of California personal income taxes. Bond Counsel’s opinion will also state that interest on the Series 10 Notes is not a specific preference item for purposes of the federal alternative minimum tax. The proposed form of such opinion is attached hereto as Appendix B.

Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service (the “**IRS**”) is studying whether the amount of the payment at maturity on short-term debt obligations (i.e., debt obligations with a stated fixed rate of interest which mature not more than one year from the date of issue) that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity or (ii) the difference between the issue price of the short-term debt obligations and the aggregate amount to be paid at maturity of the short-term debt obligations (the “**original issue discount**”). For this purpose, the issue price of the short-term debt obligations is the first price at which a substantial amount of the short-term debt obligations is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the IRS provides further guidance with respect to tax-exempt short-term debt obligations, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax-exempt short-term debt obligations in a consistent manner. Prospective purchasers of the Series 10 Notes should consult their own tax advisors with respect to the tax consequences of ownership of Series 10 Notes if the owner elects original issue discount treatment.

Series 10 Notes purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“**Premium Notes**”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of notes, like the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and an owner’s basis in a Premium Note, will be reduced by the amount of amortizable bond premium properly allocable to such owner. Owners of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations such as the Series 10 Notes. The Water Authority will make certain representations and will covenant to comply with certain restrictions designed to assure that the interest on the Series 10 Notes will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 10 Notes being included in federal gross income, possibly from the date of first issuance of the Series 10 Notes. The opinion of Bond Counsel will assume the accuracy of these representations and compliance with these covenants. Bond Counsel will not undertake to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring) or any other matters coming to Bond Counsel’s attention after June [19], 2019, may adversely affect the value of, or the tax status of interest on, such Series 10 Notes. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel will render an opinion on June [19], 2019, that interest on the Series 10 Notes, when issued in accordance with the Issuing and Paying Agent Agreement and the Tax Certificate, will be excluded from gross income for tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 10 Notes may otherwise affect the owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depend upon the owner’s particular tax status and the owner’s other items of income or deduction. Bond Counsel will express no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 10 Notes to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, or clarification of the Code or court decisions, may also affect, perhaps significantly, the market price for, or marketability of, the Series 10 Notes. Prospective purchasers of the Series 10 Notes should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel will express no opinion.

The opinion of Bond Counsel to be delivered on June [19], 2019, will be based on then current legal authority, will cover certain matters not directly addressed by such authorities, and will represent Bond Counsel's judgment as to the proper treatment of interest on the Series 10 Notes for federal income tax purposes. It will not be binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and will not give any opinion or assurance about the activities of the Water Authority after the date of such opinion, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Water Authority will covenant, however, to comply with the requirements of the Code.

The IRS has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the IRS, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. Unless separately engaged, Bond Counsel is not obligated to defend the Water Authority or the owners of the Series 10 Notes regarding the tax-exempt status of interest on the Series 10 Notes in the event of an audit examination by the IRS. Under current procedures, parties other than the Water Authority and its appointed counsel, including the owners of the Series 10 Notes, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Water Authority legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 10 Notes for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 10 Notes, and may cause the Water Authority or the owners of the Series 10 Notes to incur significant expense.

RATINGS

The Series 10 Notes have been rated “[]” by Fitch Ratings, Inc. (“**Fitch**”), One State Street Plaza, New York, New York, “[]” by Moody's Investors Service, Inc. (“**Moody's**”), 99 Church Street, New York, New York, and “[]” by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, 55 Water Street, New York, New York (“**Standard & Poor's**”). The ratings assigned by Fitch, Moody's and Standard & Poor's express only the views of the rating agencies. The explanation of the significance of the ratings may be obtained from Fitch, Moody's and Standard & Poor's, respectively. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 10 Notes.

THE DEALERS

The Dealers and their affiliates together comprise a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The

Dealers and their affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the Water Authority for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities and financial instruments which may include bank loans and/or credit default swaps) for its own account and for the accounts of its customers and may at any time hold long and short positions in such securities and instruments, or may maintain creditor rights in respect thereof. Such investment securities and other activities may involve securities and instruments of the Water Authority.

No Dealer is acting as a financial or municipal advisor to the Water Authority in connection with the offer and sale from time to time of the Notes.

OTHER MATTERS

The Dealers have provided the following sentence for inclusion in this Offering Memorandum. The Dealers have reviewed the information in this Offering Memorandum in accordance with, and as part of, their responsibility to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Dealers do not guarantee the accuracy or completeness of such information.

The information and expressions of opinion in this Offering Memorandum are subject to change without notice and neither the delivery of this Offering Memorandum nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in such information or expressions of opinion since the date hereof.

The financial statements of the Water Authority for the fiscal year ended June 30, 2018, and the proposed form of the opinion to be delivered by Bond Counsel are attached hereto as Appendices. The Water Authority will make available on request a copy of the Liquidity Agreement and copies of the Water Authority's most recent Continuing Disclosure Annual Report and Official Statement. For additional information please contact the following:

Director of Finance/Treasurer
San Diego County Water Authority
4677 Overland Avenue
San Diego, CA 92123
(858) 522-6671

*Additional information may be obtained from the Water Authority's website at
<http://www.sdcwa.org/financials-investor-relations>*

ATTACHMENTS

Appendix A – Water Authority Financial Statements

Appendix B – Proposed Form of Opinion of Bond Counsel

Appendix C – Annual Statement of Investment Policy Calendar Year 2019

Appendix D – Information Regarding DTC and the Book-Entry Only System

Appendix A
Water Authority Financial Statements

Appendix B

Proposed Form of Opinion of Bond Counsel

On June [19], 2019, the Authority will receive an opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, in the following form:

Board of Directors
San Diego County Water Authority
San Diego, California

San Diego County Water Authority
Commercial Paper Notes, Series 10
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the San Diego County Water Authority (the “Issuer”) in connection with authorization of issuance of up to \$110,000,000 aggregate principal amount (at any time Outstanding) of commercial paper notes by the Issuer, pursuant to and by authority of the provisions of Section 8.2 of the County Water Authority Act, Resolution No. 89-21, adopted by the Board of Directors of the Issuer on May 11, 1989, entitled “A Resolution of the Board of Directors of the San Diego County Water Authority Providing for the Allocation of Water System Revenues and Establishing Covenants to Secure the Payment of Obligations Payable from Net Water Revenues”, as amended (the “General Resolution”), and an Issuing and Paying Agent Agreement (Series 10), dated as of June 1, 2019 (the “Issuing and Paying Agent Agreement”), between the Issuer and U.S. Bank National Association, as issuing and paying agent (the “Issuing and Paying Agent”), and designated the San Diego County Water Authority Commercial Paper Notes, Series 10 (the “Notes”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the General Resolution.

In such connection, we have reviewed the General Resolution, the Issuing and Paying Agent Agreement, the Tax Certificate of the Issuer, dated the date hereof (the “Tax Certificate”), certificates of the Issuer, the Issuing and Paying Agent and others, an opinion of counsel to the Issuer and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof and before or after Notes are issued. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy (as of the date hereof and as of each date of issuance from time to time of the Notes) of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinion, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the General Resolution, the Issuing and Paying Agent Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary

to assure that future actions, omissions or events will not cause interest on the Notes to be included in gross income for federal income tax purposes, possibly retroactive to the date on which the first Notes were issued. We call attention to the fact that the rights and obligations under the Notes, the General Resolution, the Issuing and Paying Agent Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against county water authorities in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Offering Memorandum or other offering material relating to the Notes and express no opinion with respect thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The General Resolution has been duly adopted by the Board of Directors of the Issuer and is in full force and effect, and the Issuing and Paying Agent Agreement has been duly executed and delivered by, and constitutes a valid and binding obligation of, the Issuer.

2. The Notes, when duly issued from time to time in the form authorized by and otherwise in compliance with the Issuing and Paying Agent Agreement, executed by a duly authorized official of the Issuer and authenticated by the Issuing and Paying Agent against payment therefor, will constitute the valid and binding limited obligations of the Issuer, payable solely from Net Water Revenues, and neither the full faith and credit nor the taxing power of the Issuer, the State of California or any of its political subdivisions is pledged for the payment thereof.

3. Interest on the Notes, when issued in accordance with the Issuing and Paying Agent Agreement and the Tax Certificate, will be excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and exempt from State of California personal income taxes. The amount treated as interest on the Notes and excluded from gross income will depend upon the taxpayer's election under Internal Revenue Service Notice 94-84. Interest on the Notes is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

Appendix C
Annual Statement of Investment Policy
Calendar Year 2019

Appendix D

Information Regarding DTC and the Book-Entry Only System

Neither the Water Authority nor the Issuing and Paying Agent will have any responsibility or obligation to DTC Participants, Indirect Participants or Beneficial Owners with respect to the payments or the providing of notice to DTC Participants, Indirect Participants or Beneficial Owners. Neither the Water Authority nor the Issuing and Paying Agent can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of and interest on the Series 10 Notes paid to DTC or its nominee, as the registered Holder, or any notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Offering Memorandum.

The following information regarding DTC and its book-entry only system has been furnished by DTC for inclusion herein. The Water Authority cannot and does not make any representation as to the accuracy or completeness thereof, or the absence of material adverse changes therein subsequent to the date hereof. Beneficial Owners should confirm the following information with DTC or the Participants, as the case may be.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 10 Notes. The Series 10 Notes 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 Series 10 Note will be issued in the aggregate authorized principal amount of the Series 10 Notes and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 10 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 10 Notes on DTC’s records. The ownership interest of each actual purchaser of each Series 10 Note (“**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 Series 10 Notes 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 Series 10 Notes, except in the event that use of the book-entry system for the Series 10 Notes is discontinued.

To facilitate subsequent transfers, all Series 10 Notes 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 Series 10 Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 10 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 10 Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 10 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 10 Notes, such as tenders, defaults, and proposed amendments to the Series 10 Note documents. For example, Beneficial Owners of Series 10 Notes may wish to ascertain that the nominee holding the Series 10 Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 10 Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Water Authority 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 Series 10 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest with respect to the Series 10 Notes 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 Water Authority or the Issuing and Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Issuing and Paying Agent or the Water Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest with respect to the Series 10 Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Water Authority or the Issuing and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 10 Notes at any time by giving reasonable notice to the Water Authority or the Issuing and Paying Agent. Under such

circumstances, in the event that a successor depository is not obtained, Series 10 Note certificates are required to be printed and delivered, as described in the Issuing and Paying Agent Agreement.

The Water Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 10 Note certificates will be printed and delivered to DTC as described in the Issuing and Paying Agent Agreement.

The information in this Appendix D concerning DTC and DTC's book-entry system has been obtained from sources that the Water Authority believes to be reliable, but the Water Authority takes no responsibility for the accuracy thereof.

The foregoing description of the procedures and record-keeping with respect to beneficial ownership interests in the Series 10 Notes, payment of the principal, interest and other payments with respect to the Series 10 Notes to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Series 10 Notes and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Water Authority cannot and does not give any assurances that DTC will distribute to DTC Participants, or that DTC Participants or others will distribute to the Beneficial Owners, payments of principal and interest with respect to the Series 10 Notes paid or any notices or that they will do so on a timely basis or will serve and act in the manner described in this Offering Memorandum. The Water Authority is not responsible or liable for the failure of DTC or any DTC Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Series 10 Notes or any error or delay relating thereto.

So long as Cede & Co. is the registered owner of the Series 10 Notes, as nominee of DTC, references herein to the Holders or registered holders of the Series 10 Notes, shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 10 Notes.