NORTH SAN MATEO COUNTY SANITATION DISTRICT

a subsidiary of the City of Daly City

333 – 90TH STREET, DALY CITY, CALIFORNIA 94015-1895

(650) 991-8127

Regular Meeting - SANITATION DISTRICT

AGENDA

Monday, June 24, 2024 - 6:45 PM

There are two ways to submit public comments: (1) submit written comments by meeting day and (2) attend the meeting in person.

1. To submit written comments by meeting day, please email dwwr@dalycity.org and include "Public Comment" in the subject line. All written comments received by 4:00 pm on meeting day will be provided to the Board members prior to the meeting.

Please note: Any emailed comments received after 4:00 p.m. on the meeting date are not guaranteed to be received by the Board members prior to the meeting. Comments are not read aloud into the record.

2. To speak at the meeting in person, please complete a Speaker Card located at the entrance to the Council Chamber and submit it to a Staff Member as early in the meeting as possible.

Persons with disabilities who require auxiliary aids or services in attending or participating in this meeting should call the office of the Board Clerk at (650) 991-8200 as soon as possible.

AVAILABILITY OF PUBLIC RECORDS:

All public record to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at the City Clerk's Office, City Hall located at 333 90th Street, Daly City, CA during normal business hours, at the same time that the public records are distributed or made available to the legislative body.

CALL TO ORDER:

ROLL CALL:

APPROVAL OF AGENDA:

CONSENT AGENDA

All items listed on the Consent Agenda are considered to be routine and may be approved by one roll call vote of the Board of Directors. There shall be no separate discussion of the matters on the Consent Agenda unless requested by a member of the Board. If discussion is required, that item will be removed from the Consent Agenda and will be considered separately at the end of the Agenda.

Minutes:

1. Minutes of Special Meeting June 3, 2024

Action Items:

2. Sewer Service Charge Appeals - Fiscal Year 2023-24/2024-25

3. Adoption of Appropriations Limitation

4. Vista Grande Project Municipal Advisor Services Agreement

END OF CONSENT AGENDA

PUBLIC APPEARANCES/ORAL COMMUNICATIONS

Speakers are limited to two minutes unless modified by the Chair. The District cannot take action on any matter raised under this item.

NEW BUSINESS

REPORTS:

5. Board of Directors

6. Staff

ADJOURNMENT:

SPECIAL MEETING - BOARD OF DIRECTORS

MINUTES

June 3, 2024

The Board of Directors of the North San Mateo County Sanitation District convened in a Special Meeting on June 3, 2024, in the City Council Chamber, City Hall, 333 - 90th Street, Daly City, California.

The meeting was called to order by Chairperson Juslyn Manalo at 6:55 p.m.

ROLL CALL:

Present: Proano, Sylvester, Daus-Magbual, Manalo
Absent: DiGiovanni

Staff Present: General Manager Thomas J. Piccolotti, District Counsel Rose Zimmerman, Director of Water and Wastewater Resources Joshua Cosgrove, Chief of Operations Greg Krauss, Safety and Training Compliance Officer Kaila DeFries, Senior Management Analyst Anthony Tofiga, Director of Finance and Administrative Services Tim Nevin, Assistant Director of Finance Amanda Halbur, Assistant to the City Manager Leilani Ramos, Executive Administrative Assistant Angelica Zermeno, Office Assistant II Erika Luna and Administrative Assistant III Gillian Chow as Recording Secretary.

APPROVAL OF AGENDA:

Motion was made, seconded (Sylvester/Daus-Magbual) and unanimously approved.

CONSENT AGENDA:

1. **Minutes of Regular Meeting of February 26, 2024**
2. **Sewer Service Charge Appeals – FY 2023-24/2024-25**
3. **Presentation of Fiscal Year 2023 Annual Comprehensive Financial Report**
4. **Resolution of Intent to Adopt Appropriations Limitation (Gann Limit)**

Motion was made, seconded (Sylvester/Daus-Magbual) and unanimously carried to adopt the Consent Agenda.

NEW BUSINESS:

None.

REPORTS:

5. **Board of Directors**

   None.

6. **Staff**

   None.

ADJOURNMENT:

At 6:58 p.m., call of adjournment of Special Meeting by Chairperson Juslyn Manalo.

North San Mateo County Sanitation District

a subsidiary of the City of Daly City

Meeting Date: June 24, 2024

Subject: SEWER SERVICE CHARGE APPEALS - FISCAL YEAR 2023-24/ 2024-25

Recommended Action

Based on staff review, I recommend that the sewer service charge be revised and based on annual water consumption or average yearly consumption excluding the base period.

Daly City Water

Artiga, Frances & Nelson
APN# 002-402-230

Sioson, Francisco & Priscilla
APN# 003-072-250

Hui, Barry & Jenny
APN# 008-531-150

Lee, Jason
APN# 008-024-280

Staff is available to provide any additional information desired by the Chair or Board Members.

Respectfully submitted,

Timothy Nevin
Director of Finance and Administrative Services

Attachment: Sewer Service Charge Appeals

cc: District General Manager
City Attorney
Department of Water and Wastewater Resources

NORTH SAN MATEO COUNTY SANITATION DISTRICT
SEWER SERVICE CHARGE APPEAL 2023-24
BOARD MEETING

PARCEL NO: 002-402-230
CUSTOMER NAME: Frances and Nelson Artiga
SERVICE ADDRESS: 65 Westpark Dr., Daly City CA 94015

CREDIT BASED ON AVERAGE ANNUAL CONSUMPTION

ACTUAL BASE PERIOD USAGE	70	AVERAGE BIMONTHLY USAGE	
		2 MONTHS PRIOR	7
		4 MONTHS PRIOR	5
		6 MONTHS PRIOR	7
	5	8 MONTHS PRIOR	7
2 MONTHS AFTER	7	10 MONTHS PRIOR	5
4 MONTHS AFTER			
		AVERAGE ANNUAL USAGE	31
		ACTUAL BASE PERIOD ANNUALIZED	420
		ANNUAL CREDIT IN UNITS (Must be over 15 units)	389
		PERCENTAGE CHANGE (Must be over 10%)	93%
		ANNUAL CREDIT IN DOLLARS	$3,823.87

SANITATION CHARGE IS $ 9.83
PER UNIT

REASON FOR APPEAL

Customer had high usage during the base period in 2023. Undetectable high usage, many measures taken and water meter tested, no leak found. Usage decreased back down to normal by next billing cycle.

STAFF RECOMMENDATION TO BOARD

GRANT ADJUSTMENT - BASED ON AVERAGE ANNUAL CONSUMPTION.

NORTH SAN MATEO COUNTY SANITATION DISTRICT
SEWER SERVICE CHARGE APPEAL
BOARD MEETING DATE

PARCEL NO.	008-531-150	2024-25
CUSTOMER NAME	Barry Hui & Jenny Hui	
SERVICE ADDRESS	16 St. Michaels Ct., Daly City CA 94015	

CREDIT BASED ON ACTUAL ANNUAL USAGE

WATER USAGE:

		BASE PERIOD	95
		2 MONTHS PRIOR	19
2 MONTHS AFTER	10	4 MONTHS PRIOR	16
4 MONTHS AFTER	0	6 MONTHS PRIOR	18
		8 MONTHS PRIOR	17
		10 MONTHS PRIOR	20
		ACTUAL ANNUAL USAGE	**185**
		BASE PERIOD ANNUALIZED	570
		ANNUAL CREDIT IN UNITS (MUST BE OVER 15 UNITS)	**385**
		PERCENTAGE CHANGE (MUST BE OVER 10%)	**208%**
		ANNUAL CREDIT IN DOLLARS	**$3,784.55**

(N.S.M.C.S.D. $9.83 per unit)

REASON FOR APPEAL

There was a toilet leak during the base period. Usage decreased back down to normal after repairs were completed. Homeowners are requesting to adjust the sewer fee calculation to reflect actual usage for TY2024-25.

STAFF RECOMMENDATION TO BOARD

Grant Adjustment - Based on actual annual usage

NORTH SAN MATEO COUNTY SANITATION DISTRICT
SEWER SERVICE CHARGE APPEAL
BOARD MEETING DATE

PARCEL NO.	003-072-250	2024-25
CUSTOMER NAME	Francisco & Priscilla Sioson	
SERVICE ADDRESS	50 Los Olivos Ave., Daly City, CA 94014	

CREDIT BASED ON ACTUAL ANNUAL USAGE

WATER USAGE:

		BASE PERIOD	135
		2 MONTHS PRIOR	68
2 MONTHS AFTER	48	4 MONTHS PRIOR	31
4 MONTHS AFTER	-	6 MONTHS PRIOR	29
		8 MONTHS PRIOR	19
		10 MONTHS PRIOR	27
		ACTUAL ANNUAL USAGE	**309**
		BASE PERIOD ANNUALIZED	810
		ANNUAL CREDIT IN UNITS (MUST BE OVER 15 UNITS)	**501**
		PERCENTAGE CHANGE (MUST BE OVER 10%)	**162%**
		ANNUAL CREDIT IN DOLLARS	**$4,924.83**

(N.S.M.C.S.D. $9.83 per unit)

REASON FOR APPEAL

During the base period, toilet fill valve was malfunctioning and caused water leak. Customer has replaced the faulty part to fix the leak. Usage decreased after repairs were completed.

STAFF RECOMMENDATION TO BOARD

Grant Adjustment - Based on actual annual usage

NORTH SAN MATEO COUNTY SANITATION DISTRICT
SEWER SERVICE CHARGE APPEAL
BOARD MEETING DATE

PARCEL NO.	008-024-280	2024-25
CUSTOMER NAME	Jason Lee	
SERVICE ADDRESS	183 Avalon Dr., Daly City, CA 94015	

CREDIT BASED ON ACTUAL ANNUAL USAGE

WATER USAGE:

		BASE PERIOD	96
		2 MONTHS PRIOR	13
2 MONTHS AFTER	30	4 MONTHS PRIOR	13
4 MONTHS AFTER	-	6 MONTHS PRIOR	15
		8 MONTHS PRIOR	14
		10 MONTHS PRIOR	15
		ACTUAL ANNUAL USAGE	**166**
		BASE PERIOD ANNUALIZED	576
		ANNUAL CREDIT IN UNITS (MUST BE OVER 15 UNITS)	**410**
		PERCENTAGE CHANGE (MUST BE OVER 10%)	**247%**
		ANNUAL CREDIT IN DOLLARS	**$4,030.30**

(N.S.M.C.S.D. $9.83 per unit)

REASON FOR APPEAL

During the base period, there was a leak from the toilet downstairs. Customer has replaced the fill valve and flapper to fix the leak. Usage went down after repairs.

STAFF RECOMMENDATION TO BOARD

Grant Adjustment - Based on actual annual usage

Item #______
Agenda Report

NORTH SAN MATEO COUNTY SANITATION DISTRICT

a subsidiary of the City of Daly City

Meeting Date: June 24, 2024

Subject: Adoption of Appropriations Limitation

Recommended Action

Adopt a resolution establishing Appropriations Limitation for Fiscal Year 2025.

Discussion

As required by Article XIIIB of the State Constitution, the District must adopt an appropriations limit for the following fiscal year. By resolution of June 03, 2024, the Board of Directors established its intent to adopt the appropriations limitation for FY 2025.

The attached calculations establishing the proceeds of taxes and appropriations limit for FY 2025 have been online at www.dalycity.org and on file in the Finance Department since Friday, June 7, 2024, for public inspection and appropriate notice has been posted by the City Clerk.

Summary/Conclusion

Staff recommends that the Board of Directors adopt a Resolution establishing the District's Appropriations Limitation for Fiscal Year 2025.

Staff is available to provide any additional information desired by the Board members.

Respectfully submitted,

Amanda Halbur
Assistant Director of Finance & Administrative Services

Attachment: FY 2025 NSMCSD Summary of Calculations

North San Mateo County Sanitation District
Adjusted Summary of Calculations
Gann Appropriation Limit for 2024-2025

Change in California Per Capita Personal Income	1.0362
Change in Population*	0.9950
Change Factor (1.0362 x 0.9950)	1.0310
1978-79 Base Year Appropriation Limit	$ 251,694
'Multiplied by Cumulative Change Factor (8.2274 x 1.0310)	8.4826
2024-2025 Appropriation Limit	$ 2,135,009

Application of Gann Appropriation Limit
To Fiscal Year 2024-2025

Total Gann Appropriation Limit	$ 2,135,009
Estimated Proceeds of Taxes	3,310,837
Estimated Proceeds of Taxes Over Limit by	(1,175,828)
Amount to be used for Capital Expenditures	1,175,828
Net Amount	$ -

* The population change for San Mateo County
was used because it was higher than the change for Daly City.
This was done to get higher appropriation limits.
(per recommendation by auditors Maze & Associates)

Item #_____

Agenda Report

North San Mateo County Sanitation District

a subsidiary of the City of Daly City

Meeting Date: June 24, 2024

Subject: Vista Grande Project Municipal Advisor Services Agreement

Recommended Action

Board of Directors authorize staff to contract with D.A. Davidson & Co. to provide municipal advisor services for the Vista Grande Project in the amount not to exceed $208,600.

Background/Discussion

The Vista Grande Project is in the final phases of development and staff is working on a financial plan to fund the project. The key financing opportunities identified by staff include low-interest loans through the California Clean Water Act State Revolving Fund (CCSRF) program and the Federal E.P.A. Water Infrastructure Finance and Innovation Act (WIFIA) program, as well as multiple State grants. D.A. Davidson & Co. will serve as municipal advisor with respect to the proposed issuance of loans, securities, and other obligations, and in such capacity D.A. Davidson & Co. agrees to provide advice as to the structure, timing, terms, and other matters regarding the Financing, including the services summarized within Attachment A (Scope of Work and Professional Services Agreement).

Fiscal Impact

Sufficient funds are available in Sanitation Fund 87-920-842-4220 (Vista Grande Project – Other Contractual Services) to provide for this action.

Summary/Conclusion

Board of Directors authorize staff to contract with D.A. Davidson & Co. to provide municipal advisor services for the Vista Grande Project in the amount not to exceed $208,600.

Staff is available to provide any additional information desired by the Chair or Members of the Board.

Respectfully submitted,

Joshua Cosgrove

Joshua Cosgrove
Director of Water and Wastewater Resources

Attachment A: D.A. Davidson & Co. – Municipal Advisor Services Agreement

1550 Market Street, Suite 300
Denver, Colorado
303-764-5765

www.dadavidson.com/ficm
D.A. Davidson & Co. member SIPC

__/__/____

Tom Piccolotti, Manager
333 90th Street
Daly City, California 94015

Re: Municipal Advisor Services Agreement

Tom Picollotti:

On behalf of D.A. Davidson & Co. ("we" or "D.A. Davidson"), we wish to thank you for the opportunity to serve as municipal advisor to the City of Daly City ("City") with respect to the financial analysis services relating to the Vista Grande Project (the "Financing"). Upon your acceptance, this engagement letter (the "Agreement") will serve as our mutual agreement with respect to the terms and conditions of our engagement as your municipal advisor with respect to such services effective on the date this Agreement is executed by you (the "Effective Date").

1. **Scope of Municipal Advisor Services to be provided by D.A. Davidson**.

(a) You hereby engage D.A. Davidson to serve as municipal advisor with respect to the proposed issuance of the loans, securities, and other obligations, and in such capacity D.A. Davidson agrees to provide advice as to the structure, timing, terms and other matters regarding the Financing, including the services summarized within Attachment A, if and as requested by you (the "Scope of Services").

Under Municipal Securities Rulemaking Board ("MSRB") Rule G-23, D.A. Davidson will not be able to serve as underwriter or placement agent for any notes, bonds or other securities to be issued and sold as part of the Financing.

(b) The Scope of Services is subject to the following limitations:

(i) The Scope of Services is limited solely to the services described above and is subject to any limitations set forth within the description of the Scope of Services.

(ii) Unless otherwise provided in the Scope of Services described herein, D.A. Davidson is not responsible for preparing any preliminary or final official statement, or for certifying as to the accuracy or completeness of any preliminary or final official statement, other than with respect to any information about D.A. Davidson provided by D.A. Davidson for inclusion in such documents.

(iii) The Scope of Services does not include tax, legal, accounting or engineering advice with respect to the Financing or in connection with any opinion or certificate rendered by counsel or any other person at closing, and does not include review or advice on any feasibility study.

(c) The Scope of Services may be changed only by written amendment or supplement to the Scope of Services described herein. The parties agree to amend or supplement the Scope of Services described herein promptly to reflect any material changes or additions to the Scope of Services.

(d) If you have designated D.A. Davidson as your independent registered municipal advisor ("IRMA") for purposes of SEC Rule 15Ba1-1(d)(3)(vi) (the "IRMA exemption") with respect to the activities and aspects described in the Scope of Services, the Scope of Services as they relate to such designation as IRMA shall be subject to any limitations with respect to D.A. Davidson's activities as IRMA as may be provided in the Scope of Services described herein. D.A. Davidson is not responsible for verifying that it is independent (within the meaning of the IRMA exemption as interpreted by the SEC) from another party wishing to rely on the exemption from the definition of municipal advisor afforded under the IRMA exemption. Any reference to D.A. Davidson, its personnel and its role as IRMA in your written representation contemplated under SEC Rule 15Ba1-1(d)(3)(vi)(B) is subject to prior approval by D.A. Davidson, and you agree not to represent, publicly or to any specific person, that D.A. Davidson is your IRMA with respect to any aspect of municipal financial products or the issuance of municipal securities, or with respect to any specific municipal financial product or any specific issuance of municipal securities, outside the Scope of Services without D.A. Davidson's prior written consent.

2. **Municipal Advisor's Regulatory Duties When Servicing You.** MSRB Rule G-42 requires that D.A. Davidson make a reasonable inquiry as to the facts that are relevant to your determination whether to proceed with a course of action or that form the basis for and advice provided by D.A. Davidson to you. The rule also requires that D.A. Davidson undertake a reasonable investigation to determine that it is not basing any recommendation on materially inaccurate or incomplete information. D.A. Davidson is also required under the rule to use reasonable diligence to know the essential facts about Client and the authority of each person acting on your behalf.

You agree to cooperate, and to cause your agents to cooperate, with D.A. Davidson in carrying out these regulatory duties, including providing to D.A. Davisson accurate and complete information and reasonable access to relevant documents, other information and personnel needed to fulfill such duties. In addition, you agree that, to the extent you seek to have D.A. Davidson provide advice with regard to any recommendation made by a third party, you will provide to D.A. Davidson written direction to do so as well as any information you have received from such third party relating to its recommendation.

3. **Compensation**.

(a) For its Services, D.A. Davidson will charge fees in accordance with Attachment A. If additional services are requested by you, D.A. Davidson will prepare and submit to you an estimate of the total cost associated with such additional services. You will review and approve in writing such cost estimate for additional services and the total compensation and reimbursement to be paid by you to D.A. Davidson for such approved additional services shall not exceed the approved amount.

(b) D.A. Davidson will submit bills to the Client for Services rendered upon completion of services rendered.

4. **Term and Termination**. The term of this Agreement shall extend from the Effective Date to July 1, 2026. Notwithstanding the forgoing, either party may terminate D.A. Davidson's engagement at any time without liability or penalty upon at least 30 days' prior written notice to the other party.

5. **Limitation of Liability**. In the absence of willful misconduct, bad faith, gross negligence or reckless disregard of obligations or duties hereunder on the part of D.A. Davidson or any of its associated persons, D.A. Davidson and its associated persons shall have no liability to you for any act or omission in the course of, or connected with, rendering services hereunder, or for any error of judgment or mistake of

law, or for any loss arising out of any issuance of municipal securities, any municipal financial product or any other investment, or for any financial or other damages resulting from your election to act or not to act, as the case may be, contrary to any advice or recommendation provided by D.A. Davidson to you. No recourse shall be had against D.A. Davidson for loss, damage, liability, cost or expense (whether direct, indirect or consequential) of yours arising out of or in defending, prosecuting, negotiating or responding to any inquiry, questionnaire, audit, suit, action, or other proceeding brought or received from the Internal Revenue Service in connection with the financing or otherwise relating to the tax treatment of the financing, or in connection with any opinion or certificate rendered by counsel or any other party. Notwithstanding the foregoing, nothing contained in this paragraph or elsewhere in this Agreement shall constitute a waiver by you of any of your legal rights under applicable U.S. federal securities laws or any other laws whose applicability is not permitted to be contractually waived, nor shall it constitute a waiver or diminution of D.A. Davidson's fiduciary duty to you under Section 15B(c)(1) of the Securities Exchange Act of 1934, as amended, and the rules thereunder.

6. **Required Disclosures.** MSRB Rule G-42 requires that D.A. Davidson provide you with disclosures of material conflicts of interest and of information regarding certain legal events and disciplinary history. Such disclosures are provided within Attachment B as D. A. Davidson's Municipal Advisor Disclosure Statement delivered to you together with this Agreement.

D.A. Davidson is registered as a municipal advisor with the U.S. Securities and Exchange Commission ("SEC") and the MSRB, and is subject to the regulations and rules on municipal securities activities established by the SEC and MSRB. The website address for the MSRB is www.msrb.org. The MSRB website includes educational material about the municipal securities market, as well as a municipal advisory client brochure that describes the protections that may be provided by the MSRB rules and how to file a complaint with an appropriate regulatory authority.

7. **Waiver of Jury Trial.** EACH PARTY AGREES TO WAIVE ANY RIGHT TO A TRIAL BY JURY WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR ACTION ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THE RELATIONSHIP BETWEEN THE PARTIES. PARTIES AGREE TO WAIVE CONSEQUENTIAL AND PUNITIVE DAMAGES.

8. **Choice of Law.** This Agreement shall be construed and given effect in accordance with the laws of the state of Colorado.

9. **Binding Effect; Assignment.** This Agreement shall be binding upon and inure to the benefit of you and D.A. Davidson, our respective successors and permitted assigns; provided however, neither party may assign or transfer any of its rights or obligations hereunder without the prior written consent of the other party.

10. **Entire Agreement.** This instrument, including all appendices hereto, contains the entire agreement between the parties relating to the rights herein granted and obligations herein assumed. This Agreement may not be amended, supplemented or modified except by means of a written instrument executed by both parties.

11. **Severability.** If any provision of this Agreement is, or is held or deemed to be, invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions because it conflicts with any provisions of any constitution, statute, rule or public policy, or for any other reason, such circumstances shall not make the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or make any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

12. **No Third Party Beneficiary.** This Agreement is made solely for the benefit of the parties and their respective successors and permitted assigns. Nothing in this Agreement, express or implied, is

intended to confer on any person, other than the parties and their respective successors and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

13. **Authority.** The undersigned represents and warrants that he or she has full legal authority to execute this Agreement on behalf of Client. The following individuals have the authority to direct D.A. Davidson's performance of its activities under this Agreement:

Print Name	**Title**
Joshua Cosgrove	Water Resources Manager

14. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be an original, but which taken together, shall constitute one and the same instrument.

If there is any aspect of this Agreement that you believe requires further clarification, please do not hesitate to contact us. If the foregoing is consistent with your understanding of our engagement, please sign and return a copy of this letter.

Again, we thank you for the opportunity to assist you with the Financing and the confidence you have placed in us.

Very truly yours,

D.A. DAVIDSON & CO.

By: ___________________
Name: Greg Swartz
Title: Senior Vice President

This Agreement is hereby accepted for and on behalf of the City.

By: ____________________
Name: Tom Piccollotti
Title: Manager

Dated __/__/____

Attachment A: SCOPE OF SERVICES AND COMPENSATION

1. **Introduction.** Throughout Attachment A, the term "Obligations" refers to financial assistance, grants, forgivable principal, loans, bonds, securities, and other obligations and "Participants" refers to local governments benefiting from the Project and serving as obligors to secure and repay obligations.

2. **Total Compensation.** D.A. Davidson estimates compensation at $ as outlined below to provide pre-finance support, obtain ratings, and originate obligations.

Service Provided	Fee	Section
Pre-Finance Support		3
Analyze Participants	$14,000	
Finance Plan	16,400	
Legal Documents	6,800	
Finance Models	16,400	
Submit Application	10,000	
Rating Process	20,000	4
Originate Obligations	125,000	5
Total	$208,600	

3. **Pre-Finance Support**. Pre-finance support includes inputs and outputs as the foundation to obtain ratings and optimize the financing of the Project. Activities can include projecting revenues and expenses, customizing repayment schedules, and managing finance models/scenarios. D.A. Davidson will request compensation for Pre-Finance Support based on the following hourly rates:

Managing Director / Senior Vice President / Vice President	$200
Associate Vice President	$150
Clerical, Administrative, and Support Functions	$100

4. **Rating Process**. D.A. Davidson will assist the City, the District, and JPFA to obtain an indicative rating and, subsequently, a public rating.

5. **Originate Obligations**. Our fees to originate obligations are as follows:

Source	Estimated Amount	Not-to-Exceed Fee	Additional Incremental Fee
SWRCB, SRF	$60,000,000	$50,000	n/a
SWRCB, Other	10,000,000	$35,000	n/a
WIFIA	7,418,396	$40,000	n/a
Total	$77,418,396	$125,000	

6. **Out-of-Pocket Expenses**. D.A. Davidson will use the following table as a guide to request reimbursement of out-of-pocket expenses for all services provided.

Reimbursement of Out-of-Pocket Expenses

Expense	Reimbursement	Expense	Reimbursement
Copying–External	Cost/Receipt	Copying–Internal	Policy
Cost of Issuance	Cost/Receipt	Courier, Delivery, Mail	Cost/Receipt & Policy
Printing–External	Cost/Receipt	Printing-Internal	Policy
Travel–Lodgings	Cost/Receipt & Policy	Travel–Per Diem	Policy
Travel–Transportation	Policy	Travel–Vehicle-Miles	Policy
Travel–Vehicle–Rental	Cost/Receipt	Other/Miscellaneous	Cash/Receipt & Policy

Attachment B: DISCLOSURE STATEMENT OF D.A. DAVIDSON & CO

This Disclosure Statement is provided by D.A. Davidson & Co. ("D.A. Davidson") to Project 7 Water Authority ("you" or the "Client") in connection with the Municipal Advisor Engagement Letter dated ____________ (the "Agreement") and is dated as of the same date as the Agreement. This Disclosure Statement provides information regarding conflicts of interest and legal or disciplinary events of D.A. Davidson required to be disclosed to you pursuant to MSRB Rule G-42(b) and (c)(ii).

PART A – Disclosures of Conflicts of Interest

MSRB Rule G-42 requires that municipal advisors provide to their clients disclosures relating to any actual or potential material conflicts of interest, including certain categories of potential conflicts of interest identified in Rule G-42, if applicable. If no such material conflicts of interest are known to exist based on the exercise of reasonable diligence by the municipal advisor, municipal advisors are required to provide a written statement to that effect.

***Material Conflicts of Interest* –** D.A. Davidson makes the disclosures set forth below with respect to material conflicts of interest in connection with the Scope of Services under this Agreement, together with explanations of how D.A. Davidson addresses or intends to manage or mitigate each conflict.

***General Mitigations* –** As general mitigations of D.A. Davidson's conflicts, with respect to all of the conflicts disclosed below, D.A. Davidson mitigates such conflicts through its adherence to its fiduciary duty to you, which includes a duty of loyalty to you in performing all municipal advisory activities for you. This duty of loyalty obligates D.A. Davidson to deal honestly and with the utmost good faith with you and to act in your best interests without regard to D.A. Davidson's financial or other interests. In addition, because D.A. Davidson is a broker-dealer with significant capital due to the nature of its overall business, the success and profitability of D.A. Davidson is not dependent on maximizing short-term revenue generated from individualized recommendations to its clients but instead is dependent on long-term profitably built on a foundation of integrity, quality of service, and strict adherence to its fiduciary duty. Furthermore, D.A. Davidson's municipal advisory supervisory structure, leveraging our long-standing and comprehensive broker-dealer supervisory processes and practices, provides strong safeguards against individual representatives of D.A. Davidson potentially departing from their regulatory duties due to personal interests. The disclosures below describe, as applicable, any additional mitigations that may be relevant with respect to any specific conflict disclosed below.

Compensation-Based Conflicts. The fees due under this Agreement are based on:

(a) Hourly fees of D.A. Davidson's personnel, with the aggregate amount equaling the number of hours worked by such personnel times an agreed-upon hourly billing rate This form of compensation presents a potential conflict of interest if you and D.A. Davidson do not agree on a reasonable maximum amount at the outset of the engagement, because D.A. Davidson does not have a financial incentive to recommend alternatives that would result in fewer hours worked. This conflict of interest is mitigated by the general mitigations described above.

(b) The size of the Issue and the payment of such fees shall be contingent upon the delivery of the Issue. While this form of compensation is customary in the municipal securities market, this may present a conflict because it could create an incentive for D.A. Davidson to recommend unnecessary financings or financings that are disadvantageous to you, or to advise you to increase the size of the issue. This conflict of interest is mitigated by the general mitigations described above..]

<u>Other D.A. Davidson or Underwriting Relationships</u>. D.A. Davidson serves a wide variety of other clients that may from time to time have interests that could have a direct or indirect impact on your interests. For example, D.A. Davidson serves as municipal advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients just as it does to you under this Agreement. These other clients may, from time to time and depending on the specific circumstances, have competing interests, such as accessing the new issue market with the most advantageous timing and with limited competition at the time of the offering. In acting in the interests of its various clients, D.A. Davidson could potentially face a conflict of interest arising from these competing client interests. In other cases, as a broker-dealer that engages in underwritings of new issuances of municipal securities by other municipal entities, the interests of D.A. Davidson to achieve a successful and profitable underwriting for its municipal entity underwriting clients could potentially constitute a conflict of interest if, as in the example above, the municipal entities that D.A. Davidson serves as underwriter or municipal advisor have competing interests in seeking to access the new issue market with the most advantageous timing and with limited competition at the time of the offering. None of these other engagements or relationships would impair D.A. Davidson's ability to fulfill its regulatory duties to you.

<u>Broker-Dealer Business</u>. D.A. Davidson is a broker-dealer that engages in a broad range of securities-related activities to service its clients, in addition to serving as a municipal advisor or underwriter. Such securities-related activities, which may include but are not limited to the buying and selling of new issue and outstanding securities, including your securities, may be undertaken on behalf of, or as counterparty to, your, your personnel, and current or potential investors in your securities. These other clients may, from time to time and depending on the specific circumstances, have interests in conflict with your own, such as when their buying or selling of your securities may have an adverse effect on the market for your securities, and the interests of such other clients could create the incentive for D.A. Davidson to make recommendations to you that could result in more advantageous pricing for the other clients. Furthermore, Any potential conflict arising from D.A. Davidson effecting or otherwise assisting such other clients in connection with such transactions is mitigated by means of such activities being engaged in on customary terms through units of the D.A. Davidson that operate independently from D.A. Davidson's municipal advisory business, thereby reducing the likelihood that the interests of such other clients would have an impact on the services provided by D.A. Davidson to you under this Agreement.

<u>Secondary Market Transactions in Client's Securities</u>. D.A. Davidson, in connection with its sales and trading activities, may take a principal position in securities, including your securities, and therefore D.A. Davidson could have interests in conflict your own with respect to the value of your securities while held in inventory and the levels of mark-up or mark-down that may be available in connection with purchases and sales thereof. In particular, D.A. Davidson or its affiliates may submit orders for and acquire your securities issued in an Issue under the Agreement from members of the underwriting syndicate, either for its own account or for the accounts of its customers. This activity may result in a conflict of interest with you in that it could create the incentive for D.A. Davidson to make recommendations to you that could result in more advantageous pricing of your bond in the marketplace. Any such conflict is mitigated by means of such activities being engaged in on customary terms through units of the D.A. Davidson that operate independently from D.A. Davidson's municipal advisory business, thereby reducing the likelihood that such investment activities would have an impact on the services provided by D.A. Davidson to you under this Agreement.

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PART B – Disclosures of Information Regarding Legal Events and Disciplinary History

MSRB Rule G-42 requires that municipal advisors provide to their clients certain disclosures of legal or disciplinary events material to its client's evaluation of the municipal advisor or the integrity of the municipal advisor's management or advisory personnel. Accordingly, D.A. Davidson sets out below required disclosures and related information in connection with such disclosures.

(i) D.A. Davidson discloses the following legal or disciplinary events that may be material to your evaluation of D.A. Davidson or the integrity of D.A. Davidson's management or advisory personnel:

A regulatory action disclosure filed on Form MA-I relates to the Securities and Exchange Commission's Order dated February 2, 2016 (SEC Admin Releases 33-10019; 34-77021) (the "MCDC Order"). The SEC MCDC Order was issued under the Division of Enforcement's Municipalities Continuing Disclosure Cooperation Initiative, and the violations referred to therein were self-reported by D.A. Davidson. Pursuant to the MCDC Order, the SEC deemed it appropriate and in the public interest that public administrative and cease-and-desist proceedings be instituted against D.A. Davidson arising for willfully violating Section 17(a)(2) of the Securities Act (an antifraud provision of the federal securities laws) in connection with Municipal Advisor's underwriting of certain municipal securities offerings. The MCDC Order alleged that we (a) conducted inadequate due diligence in certain municipal securities offerings, (b) failed to form a reasonable basis for believing the truthfulness of certain material representations in official statements regarding compliance by issuers with their continuing disclosure undertakings, and (c) as a result, we offered and sold municipal securities on the basis of materially misleading disclosure documents. In connection with the MCDC order, we paid a $500,000 fine to the SEC. The MCDC Order is available at the SEC's website https://www.sec.gov/litigation/admin/2016/33-10019.pdf.

(ii) How to Access Form MA and Form MA-I Filings. D. A. Davidson's most recent Form MA and each most recent Form MA-I filed with the SEC are available on the SEC's EDGAR system at http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000027182. The SEC permits certain items of information required on Form MA or MA-I to be provided by reference to such required information already filed by D. A. Davidson in its capacity as a broker-dealer on Form BD or Form U4 or as an investment adviser on Form ADV, as applicable. Information provided by D. A. Davidson on Form BD or Form U4 is publicly accessible through reports generated by BrokerCheck at http://brokercheck.finra.org, and D. A. Davidson's most recent Form ADV is publicly accessible at the Investment Adviser Public Disclosure website at http://www.adviserinfo.sec.gov. For purposes of accessing such BrokerCheck reports or Form ADV, D. A. Davidson's CRD number is 199.

(iii) The date of the last material change to a legal or disciplinary event disclosure on any Form MA or Form MA-I filed by D. A. Davidson with the SEC is February 2, 2016, which change consists of the MCDC Order described above.

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PART C – Future Supplemental Disclosures

As required by MSRB Rule G-42, this Disclosure Statement may be supplemented or amended, from time to time as needed, to reflect changed circumstances resulting in new conflicts of interest or changes in the conflicts of interest described above, or to provide updated information with regard to any legal or disciplinary events of D.A. Davidson. D.A. Davidson will provide you with any such supplement or amendment as it becomes available throughout the term of the Agreement.

Dated: ____________