



MEMORANDUM

TO: SLDMWA Finance and Administration Committee/Board of Directors, Alternates

FROM: Pablo Arroyave, Chief Operating Officer

DATE: December 7, 2020

RE: Jones Pumping Plant Unit Rewind Project Public Financing

BACKGROUND

The JPP Unit Rewind Project consists of six units. Two unit rewinds have been completed and the third is in progress. Funding for the fourth unit was required in November 2020 in order to issue notice to proceed and stay on schedule with the contractor (NEC).

Reclamation provided a loan to fund the first unit and the Water Authority funded the 2nd unit. The Water Authority recently entered into a second Repayment Contract with Reclamation to fund two (2) units. The Water Authority needs to secure additional funding for the remaining two (2) units.

In the September 2020 Board of Directors meeting, the Board adopted a Resolution Providing for the Issuance of Revenue Bonds to Finance a Portion of the Cost of Extraordinary Maintenance to the Jones Pumping Plant, Authorizing the Execution of Certain Documents, and Authorizing Certain Other Actions in Connection Therewith. In this Resolution, the Board authorized staff to take necessary actions to move forward with public financing not to exceed \$15 million for the remaining two units.

In late September 2020, the Friant Water Authority (FWA) expressed an interest in self-funding their JPP Unit Rewind Project obligation rather than participate in the public bond issuance. This development and the status of the WIFIA funding efforts, raised the possibility of other Authority members also self-funding their JPP Unit Rewind Project obligations. The FAC and Board convened a joint workshop to discuss these developments on October 5th. In addition, these options were discussed in the Board meeting on October 8th and a special Board meeting on October 21st. As a result of these discussions, it was decided to discontinue with the WIFIA application, and to work with FWA to negotiate the timing for and amount of FWA's payment(s) to the Authority to offset impacts to other OM&R-paying agencies resulting from FWA's non-participation in the public debt issuance, as well as the Authority possibly self-funding the Project cost. These matters were discussed further in the November FAC and Board meetings. During the November 5, 2020 Board meeting, the Board authorized execution of the FWA agreement

and requested a delay in seeking consideration of the Resolution, POS and other associated documents until the December meetings. Based on a recommendation from the FAC, the Board also authorized staff to discontinue consideration of self-funding the Project costs.

ISSUES FOR DECISION

Whether the Finance and Administration Committee should recommend to the Board and the Board should take action on the Resolution Authorizing the Preparation and Distribution of a Preliminary Official Statement with Respect to Revenue Bonds to Finance a Portion of the Extraordinary Maintenance to the Jones Pumping Plant, Authorizing the Execution of Certain Documents, and Authorizing Certain Other Actions in Connection Therewith.

ANALYSIS

Staff executed the Funding Agreement with FWA on November 6, 2020 and the Water Authority received FWA's first payment of \$1,755,108.40 on November 19, 2020. The Water Authority has also conducted meetings necessary to move forward with the public financing, over a 25-year term, to finance the remaining two units of the JPP Unit Rewind Project. The rating call with Moody's is currently scheduled for December 21, 2020.

ATTACHMENTS

1. Draft Resolution, including Exhibit A (Preliminary Official Statement)
2. Resolution 2020-469

San Luis & Delta-Mendota Water Authority 2020 Revenue Bonds

TIME AND RESPONSIBILITY SCHEDULE

Revised on: **November 23, 2020**

I = Issuer - San Luis & Delta-Mendota Water Authority
BC = Bond Counsel - Stradling Yocca Carlson & Rauth LLP
FA = Financial Advisor - Fieldman, Rolapp & Associates, Inc.
T = Trustee - MUFG Union Bank
UW = Underwriter - Citigroup
UC = Underwriter's Counsel - Gilmore Bell

Date	Description	Responsible Parties	Status
Wednesday, August 12, 2020	Distribution of 1st draft of Bond Indenture, Bond Resolution and Continuing Disclosure Certificate	BC	Complete
Wednesday, August 19, 2020	Conference call @ 9am to review 1st draft of Bond Indenture	I, BC, FA	Complete
Wednesday, August 19, 2020	Federal Securities Law Training	I, BC	Complete
Wednesday, August 26, 2020	Finance & Admin., Committee meeting to review: a) Bond Resolution	All	Complete
Monday, August 31, 2020	Distribution of 1st draft of Preliminary Official Statement ("POS") and 2nd draft of Bond Indenture	BC	Complete
Wednesday, September 2, 2020	Conference call @ 3PM to review 1st draft of POS and legal documents	I, MA, BC	Complete
Friday, September 4, 2020	Distribute substantially final legal documents	BC	Complete
Monday, September 7, 2020	HOLIDAY - LABOR DAY		Complete
Monday, September 7, 2020	Agenda deadline for FAC and Board meetings	All	Complete
Wednesday, September 9, 2020	Distribution of 2nd draft of POS	BC	Complete
Friday, September 11, 2020	Distribution of 1st draft of Bond Purchase Agreement ("BPA")	UC	Complete
Monday, September 14, 2020	Finance & Admin., Committee meeting to consider the approval of: a) Bond Indenture b) Continuing Disclosure Certificate c) Purchase Contract	All	Complete
Tuesday, September 15, 2020	Conference call to review POS	All	Complete
Thursday, September 17, 2020	Board meeting to consider the approval of: a) Bond Indenture b) Continuing Disclosure Certificate c) Purchase Contract	All	Complete
Wednesday, October 28, 2020	Agenda deadline for November 5, 2020 Board meeting	All	Complete

San Luis & Delta-Mendota Water Authority

2020 Revenue Bonds

TIME AND RESPONSIBILITY SCHEDULE

	Date	Description	Responsible Parties	Status
+/-	Wednesday, October 28, 2020	Distribution of near-final drafts of POS	BC	Complete
	Monday, November 2, 2020	FAC Meeting to consider POS and agreement with FWA	All	Complete
	Thursday, November 5, 2020	Board meeting to consider the approval of agreement with FWA	All	Complete
	Friday, November 13, 2020	Distribution of draft POS	BC, I	Complete
	Monday, November 16, 2020	Draft POS sent to Authority Board Members	I	Complete
	Monday, December 7, 2020	Finance & Admin., Committee meeting to consider the approval of POS	All	
	Thursday, December 10, 2020	Board meeting to consider the approval of POS	All	
	Friday, December 11, 2020	Rating Agency Presentation Rehearsal Call	All	
+/-	Friday, December 11, 2020	Package to Moody's and Bond Insurers	I, MA, UW	
+/-	Monday, December 21, 2020	Call with Moody's 9:30AM	I, MA, UW, BC	
	Friday, December 25, 2020	HOLIDAY - CHRISTMAS DAY		
	Friday, January 1, 2021	HOLIDAY - NEW YEAR'S DAY		
+/-	Monday, January 11, 2021	Due-diligence call	All	
+/-	Monday, January 11, 2021	Receive rating from Moody's	All	
+/-	Wednesday, January 13, 2021	Receive bids from bond insurers	All	
+/-	Friday, January 15, 2021	Post POS electronically	BC	
+/-	Wednesday, January 20, 2021	Pre-Pricing call @ TBD	I, MA, UW	
+/-	Thursday, January 21, 2021	Pricing call @ TBD / Execute BPA	All	
	Wednesday, January 27, 2021	Post final OS electronically	BC	
	Wednesday, January 27, 2021	Authority President and Executive Director execute Bond Indenture and closing documents	I	
+/-	Wednesday, January 27, 2021	Pre-closing	All	
+/-	Thursday, January 28, 2021	Closing	All	

SAN LUIS & DELTA-MENDOTA WATER AUTHORITY

RESOLUTION NO. 2020-__

RESOLUTION AUTHORIZING THE PREPARATION AND DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND THE PREPARATION, EXECUTION AND DELIVERY OF AN OFFICIAL STATEMENT WITH RESPECT TO REVENUE BONDS TO FINANCE A PORTION OF THE COST OF EXTRAORDINARY MAINTENANCE TO THE JONES PUMPING PLANT, AUTHORIZING THE EXECUTION OF CERTAIN DOCUMENTS, AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the San Luis & Delta-Mendota Water Authority (the “Authority”) operates and maintains certain Delta Division and San Luis Unit facilities of the Central Valley Project pursuant to a Transfer Agreement with the United States acting through the Department of Interior Bureau of Reclamation; and

WHEREAS, the Board of Directors of the Authority (the “Board”) previously adopted Resolution No. 2020-469 authorizing the issuance of revenue bonds (the “Bonds”) to finance a portion of the cost of extraordinary maintenance to the Jones Pumping Plant; and

WHEREAS, the Board now desires to authorize the preparation and distribution of a preliminary official statement and the preparation, execution and delivery of an official statement with respect such Bonds; and

WHEREAS, the Board does hereby determine that authorizing (1) the issuance of revenue bonds to finance a portion of the cost of extraordinary maintenance at the Jones Pumping Plant, (2) the execution of certain documents, and (3) all steps that are reasonably convenient or necessary to issue revenue bonds, does not constitute a project or projects under CEQA because the proposed actions fund continued operation and maintenance of existing facilities within established parameters and represent administrative activities of the Authority that will not result in direct or indirect physical changes in the environment (Section 15378(b)(5) of the CEQA Guidelines); further, where it can be seen with certainty that there is no possibility that the proposed action in question may have a significant effect on the environment, the proposed action is not subject to CEQA (Section 15061(b)(3) of the CEQA Guidelines).

NOW, THEREFORE, BE IT RESOLVED, AS FOLLOWS, THAT:

SECTION 1. Findings. The Board hereby specifically finds and declares that the actions authorized hereby constitute and relate to public affairs of the Authority and that the statements, findings and determinations set forth above and in the preambles of the documents approved herein are true and correct.

SECTION 2. Preliminary Official Statement and Official Statement. The preparation and distribution of the Preliminary Official Statement, including the appendices thereto, substantially in the form attached hereto as **Exhibit A**, is hereby approved. The Executive Director and Chief Operating Officer are each hereby individually authorized to make such changes, insertions and omissions to the Preliminary Official Statement as may be recommended or approved by General

Counsel or Stradling Yocca Carlson & Rauth, a Professional Corporation, as bond counsel (“Bond Counsel”), and is authorized and directed to execute and deliver a certificate relating to the Preliminary Official Statement in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934.

The Chair or Vice Chair (each an “Authorized Officer”) is each hereby individually authorized and directed to execute, approve and deliver the final Official Statement in the form of the Preliminary Official Statement which, upon execution as authorized herein, is made a part hereof as though set forth in full herein, with such changes, insertions and omissions as may be recommended or approved by General Counsel or Bond Counsel and approved by such Authorized Officer, said execution and delivery being conclusive evidence of such approval.

The underwriter of the Bonds named in the Preliminary Official Statement is hereby authorized to distribute copies of said Preliminary Official Statement to persons who may be interested in the initial purchase of the Bonds and are directed to deliver copies of any final Official Statement to all actual initial purchasers of the Bonds.

SECTION 3. Other Actions. Each Authorized Officer, the Treasurer of the Authority, the Executive Director, Chief Operating Officer, and any other proper officers of the Authority, acting singly, are each authorized and directed to do any and all things and to execute and deliver any and all documents and certificates which such officers may deem necessary or advisable in order to consummate the sale, execution and delivery of the Bonds, and otherwise effectuate the purposes of this Resolution, and such actions previously taken by such officers are hereby ratified and confirmed.

SECTION 4. Underwriter Compensation. Notwithstanding anything contained in Resolution No. 2020-469, the underwriter’s compensation for underwriting the Bonds shall not be more than \$85,000.

SECTION 5. Effect. This Resolution shall take effect immediately.

PASSED, APPROVED AND ADOPTED this 10th day of December, 2020, by the Board of Directors of the San Luis & Delta-Mendota Water Authority.

AYES:

NOES:

ABSENT:

APPROVED:

Cannon Michael, Chairman
SAN LUIS & DELTA-MENDOTA WATER
AUTHORITY

Attest:

Federico Barajas, Secretary

.....
I hereby certify that the foregoing Resolution No. 2020-__ was duly and regularly adopted by the Board of Directors of the San Luis & Delta-Mendota Water Authority at the meeting thereof held on the 10th day of December, 2020.

Federico Barajas, Secretary

EXHIBIT A

PRELIMINARY OFFICIAL STATEMENT

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY __, 2021

NEW ISSUE – BOOK ENTRY ONLY

RATINGS: See the caption “RATINGS”

\$ _____ *

**SAN LUIS & DELTA-MENDOTA WATER AUTHORITY
REVENUE BONDS (OM&R PROJECT), SERIES 2021A**

Dated: Date of Delivery

Due: March 1, as set forth on inside cover page

The Bonds are special obligations of the San Luis & Delta-Mendota Water Authority payable from OM&R Revenues received by the Authority in accordance with the provisions of Resolution 2020-454 of the Authority, adopted on February 6, 2020 and referred to herein as the OM&R Master Resolution. The Bonds are being issued pursuant to an Indenture of Trust, dated as of January 1, 2021 by and between the Authority and MUFG Union Bank, N.A., as trustee. Proceeds of the Bonds will be applied: (i) to finance a portion of the cost of certain extraordinary maintenance to the Jones Pumping Plant; (ii) to purchase a municipal bond insurance policy to guarantee payment of principal of and interest on the Bonds; (iii) to purchase a municipal bond debt service reserve insurance policy for deposit in the Reserve Fund; and (iv) to pay certain costs of issuing the Bonds.

The Bonds are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in principal amounts of \$5,000 and integral multiples thereof and will be in book entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership in the Bonds but will receive credit balances on the books of their respective nominees, and the Bonds will not be transferable or exchangeable except for transfer to another nominee of The Depository Trust Company or as otherwise described in this Official Statement. The Bonds will bear interest at the rates set forth on the inside cover page hereof, which will be payable on March 1, 2021 and each March 1 and September 1 thereafter. Such interest on and the principal of the Bonds is payable by the Trustee to Cede & Co., and such interest and principal payments are to be disbursed to the Beneficial Owners of the Bonds through their nominees.

The Bonds are subject to optional redemption and mandatory sinking fund redemption as set forth herein.

The Bonds are special obligations of the Authority payable solely from OM&R Revenues received by the Authority for the operation, maintenance and replacement of certain Central Valley Project facilities pursuant to a Transfer Agreement entered into by the Authority and the United States of America acting through the Department of Interior Bureau of Reclamation. OM&R Revenues are paid to the Authority by various public entities with respect to water conveyed or delivered by the Authority to certain contractors which have entered into water service, water repayment and other water delivery contracts with Reclamation. OM&R Revenues also include certain payments received by the Authority from Friant Water Authority on behalf of Friant Division Contractors with respect to settlement water delivered to the Settlement Contractors; provided, however, no principal or interest on the Bonds will be charged to Friant Water Authority, as described herein. The Bonds are secured by a gross lien on OM&R Revenues and are payable from OM&R Revenues prior to Operation and Maintenance Costs and on a parity with the obligation of the Authority to pay principal of and interest on two repayment contracts with Reclamation which financed extraordinary maintenance at the Jones Pumping Plant, aggregating \$17,700,000 in principal amount and other Operation and Maintenance Obligations incurred by the Authority from time-to-time in accordance with the OM&R Master Resolution.

The Bonds are not a debt of the members of the Authority, the State of California or any of its political subdivisions (other than the Authority), and neither the members of the Authority, the State of California nor any of its political subdivisions (other than the Authority) is liable under the Indenture pursuant to which the Bonds are issued. The obligation of the Authority to pay the principal of and interest on the Bonds does not constitute an indebtedness of the Authority in contravention of any constitutional or statutory debt limitation or restriction.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by _____.

[_____] LOGO]

MATURITY SCHEDULE

(See inside front cover page)

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. CAPITALIZED TERMS USED ON THE COVER HEREOF SHALL HAVE THE MEANING SET FORTH HEREIN.

The Bonds are offered when, as and if delivered and received by the Underwriter, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. The Underwriter is being represented by its counsel Gilmore & Bell, P.C., Salt Lake City, Utah. Certain legal matters will be passed upon for the Authority by Rebecca Akroyd, Esq., its general counsel, for the Insurer by its counsel and for the Trustee by its counsel. It is anticipated that the Bonds will be available for delivery through the facilities of The Depository Trust Company on or about January __, 2021.

Citigroup

Dated: January __, 2021.

* Preliminary, subject to change.

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

MATURITY SCHEDULE

\$ _____ *

SAN LUIS & DELTA-MENDOTA WATER AUTHORITY
REVENUE BONDS (OM&R PROJECT), SERIES 2021A

BASE CUSIP®† _____

<i>Maturity</i> <i>(March 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>CUSIP®†</i>
	\$	%	%	

\$ _____ % Term Bonds Due March 1, 20__ – Price _____ % – CUSIP®† _____

* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2020 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the Authority nor the Underwriter take any responsibility for the accuracy of such numbers.

**SAN LUIS & DELTA-MENDOTA WATER AUTHORITY
BOARD OF DIRECTORS**

DIVISION 1

<i>Director</i>	<i>Member</i>
James McLeod	Banta-Carbona Irrigation District
Bobby Pierce	West Stanislaus Irrigation District
Anthea Hansen	Del Puerto Water District
Rick Gilmore	Byron Bethany Irrigation District/CVPSA

DIVISION 2

<i>Director</i>	<i>Member</i>
Dan Errotabere	Westlands Water District
William Bourdeau	Westlands Water District
William Diedrich	San Luis Water District
John Bennett	Panoche Water District

DIVISION 3

<i>Director</i>	<i>Member</i>
Dan McCurdy	Firebaugh Canal Water District
Chris White	Central California Irrigation District
Cannon Michael	Henry Miller Reclamation District 2131
Ric Ortega	Grassland Water District

DIVISION 4

<i>Director</i>	<i>Member</i>
John Varela	Santa Clara Valley Water District
Gary Kremen	Santa Clara Valley Water District
Jeff Cattaneo	San Benito County Water District
Joseph Tonascia	San Benito County Water District

DIVISION 5

<i>Director</i>	<i>Member</i>
Bill Pucheu	Tranquillity Irrigation District
Thomas W. Birmingham	Broadview Water District
Vacant	James Irrigation District

OFFICERS

Cannon Michael, Chairman
William Bourdeau, Vice Chairman
Joyce Machado, Treasurer/Auditor
Federico Barajas, Secretary

STAFF

Federico Barajas, Executive Director
Pablo Arroyave, Chief Operating Officer
Joyce Machado, Director of Finance
Robert Martin, Facility O&M Director

GENERAL COUNSEL

Rebecca Akroyd, Esq.

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc.
Irvine, California

BOND COUNSEL

Stradling Yocca Carlson & Rauth, a Professional Corporation
Sacramento, California

TRUSTEE

MUFG Union Bank, N.A.
San Francisco, California

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter. The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND "FORWARD-LOOKING STATEMENTS." NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTEND," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

_____ ("___") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, ___ has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding ___, supplied by ___ and presented under the captions "BOND INSURANCE" and "SECURITY FOR THE BONDS—The Reserve Fund Insurance Policy" and in Appendix I—"SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

The Authority maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

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SUMMARY STATEMENT

This summary is subject in all respects to the more complete information contained in this Official Statement, and the offering of the Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Summary Statement and not defined in this Summary Statement shall have the meanings ascribed thereto in the Official Statement.

The Authority. The San Luis & Delta-Mendota Water Authority is a public entity duly organized and existing under an Amended and Restated Joint Exercise of Powers Agreement, dated as of January 1, 1992. There are currently 27 public agency Members of the Authority. The Members entered into such Joint Exercise of Powers Agreement in order to exercise their common power to acquire, construct, operate and maintain works and facilities for the development and use of water resources and water rights including, without limitation, works and facilities to divert, store, pump, treat and deliver water for beneficial uses. As of June 30, 2020, the Authority has a staff of 100 full time employees and two part-time employees.

The Authority began operating certain Central Valley Project facilities owned by the United States and referred to herein as the Project Works in 1992 pursuant to a cooperative agreement funded through federal appropriations. In 1998, the Authority began operating the Project Works pursuant to the terms of a transfer agreement entered into by the Department of Interior Bureau of Reclamation and the Authority. The Authority currently operates the Project Works, which include the Jones Pumping Plant, Delta-Mendota Canal, Delta-Mendota Canal/California Aqueduct Intertie, Kesterson Reservoir, O'Neill Pumping-Generating Plant, San Luis Drain, and other facilities, under a transfer agreement with Reclamation entered into on January 14, 2020, which superseded the original transfer agreement. A copy of the Transfer Agreement is set forth in Appendix D hereto. The Transfer Agreement has a term of 35 years, unless terminated earlier by Reclamation or the Authority. See Appendix A—"INFORMATION CONCERNING THE AUTHORITY AND OM&R REVENUES—THE AUTHORITY—Transfer Agreement."

Purpose. The Bonds are being sold: (i) to finance a portion of the cost of certain extraordinary maintenance to the Jones Pumping Plant; (ii) to purchase a municipal bond insurance policy to guarantee payment of principal of and interest on the Bonds; (iii) to purchase a municipal bond debt service reserve insurance policy for deposit in the Reserve Fund; and (iv) to pay certain costs of issuing the Bonds.

Security for the Bonds. The Bonds are being issued pursuant to an Indenture of Trust, dated as of January 1, 2021 by and between the Authority and MUFG Union Bank, N.A., as trustee. The Bonds are Operation and Maintenance Obligations as defined in and secured by Resolution 2020-454 of the Authority, adopted on February 6, 2020, and referred to herein as the OM&R Master Resolution. The Bonds are payable from OM&R Revenues on a parity with the obligation of the Authority to pay principal of and interest on \$17,700,000 aggregate principal amount of other Operation and Maintenance Obligations. See the caption "THE AUTHORITY—Outstanding Obligations—Other Operation and Maintenance Obligations" in Appendix A hereto.

Pursuant to the OM&R Master Resolution, all OM&R Revenues collected by the Authority with respect to water conveyed or delivered through the Project Works are deposited in the OM&R Revenue Fund maintained by the Authority. OM&R Revenues include amounts received by the Authority for the operation, maintenance, repairs, and replacements of the Project Works from various public entities and Reclamation with respect to water deliveries by the Authority to certain contractors which have entered in water repayment, water service or other water delivery contracts with Reclamation. OM&R Revenues also include certain payments received by the Authority from Friant Water Authority pursuant to the Friant MOU; provided, however, no principal or interest on the Bonds will be charged to Friant Water Authority, as described herein. Such amounts are paid by Friant Water Authority on behalf of Friant Division Contractors with respect to settlement water conveyed or delivered by the Authority through the Project Works to the Settlement Contractors.

THE AUTHORITY DOES NOT HAVE THE POWER TO LEVY OR COLLECT ANY FORM OF TAXES. THE OBLIGATION OF THE AUTHORITY TO MAKE PAYMENTS WITH RESPECT TO THE BONDS IS A SPECIAL OBLIGATION WHICH IS PAYABLE SOLELY FROM THE OM&R REVENUES AND OTHER AMOUNTS PLEDGED THEREFOR UNDER THE INDENTURE.

THE BONDS ARE NOT A DEBT OF THE MEMBERS OF THE AUTHORITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY), AND NEITHER THE MEMBERS OF THE AUTHORITY, SAID STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY) IS LIABLE UNDER THE INDENTURE. NO MEMBER, OFFICER, AGENT, EMPLOYEE, CONSULTANT OR ATTORNEY OF THE AUTHORITY OR ANY MEMBER IS INDIVIDUALLY OR PERSONALLY LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM OR INTEREST ON THE BONDS OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THE ISSUANCE THEREOF.

Bond Insurance. The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by _____.

Reserve Fund. A Reserve Fund for the Bonds is established pursuant to the Indenture in an amount equal to the Reserve Requirement. _____ has committed to issue, concurrently with the delivery of the Bonds, a municipal bond debt service reserve insurance policy in the initial principal amount of \$_____ for deposit in the Reserve Fund. The Authority is not obligated: (i) to make any additional deposits into the Reserve Fund in the event that _____ defaults on its obligation to make payments under the municipal bond debt service reserve insurance policy; or (ii) to replace the municipal bond debt service reserve insurance policy in the event of a rating downgrade of _____.

Additional Operation and Maintenance Obligations. The Authority may incur additional Operation and Maintenance Obligations payable from OM&R Revenues on a parity with the Bonds in accordance with and subject to the conditions set forth in the OM&R Master Resolution. See the caption “SECURITY FOR THE BONDS—Limitations on Additional Operation and Maintenance Obligations.”

Redemption. The Bonds are subject to optional redemption and mandatory sinking fund redemption as described herein.

Continuing Disclosure. The Authority has covenanted in a Continuing Disclosure Certificate for the Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the Authority within nine months after the end of the Authority’s fiscal year (currently ending on the last day of February of each calendar year) and to provide notices of the occurrence of certain enumerated events. See Appendix H hereto for the form of Continuing Disclosure Certificate. The Authority has not previously entered into any continuing disclosure undertakings.

\$ _____ *

**SAN LUIS & DELTA-MENDOTA WATER AUTHORITY
REVENUE BONDS (OM&R PROJECT), SERIES 2021A**

INTRODUCTION

This Official Statement, including the cover page and all appendices hereto, provides certain information concerning the sale and delivery of the San Luis & Delta-Mendota Water Authority Revenue Bonds (OM&R Project), Series 2021A (the “Bonds”). Descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. Capitalized terms used and not otherwise defined have the meanings ascribed to such terms in Appendix C.

The Bonds are being issued pursuant to an Indenture of Trust, dated as of January 1, 2021 (the “Indenture”), by and between San Luis & Delta-Mendota Water Authority (the “Authority”) and MUFG Union Bank, N.A., as trustee (the “Trustee”). The Authority is a public entity duly organized and existing under an Amended and Restated Joint Exercise of Powers Agreement -- San Luis & Delta-Mendota Water Authority (the “Joint Exercise of Powers Agreement”), dated as of January 1, 1992, by and among certain public agencies (each, a “Member” and collectively, the “Members”). Proceeds of the Bonds will be applied: (i) to finance a portion of the cost of certain extraordinary maintenance to the Jones Pumping Plant; (ii) to purchase a municipal bond insurance policy to guarantee payment of principal of and interest on the Bonds; (iii) to purchase a municipal bond debt service reserve insurance policy for deposit in the Reserve Fund; and (iv) to pay certain costs of issuing the Bonds.

The Authority currently operates, maintains, repairs and replaces (as more particularly described in the Transfer Agreement referred to below, “OM&R”) certain conveyance facilities (as more particularly described in the Transfer Agreement, the “Project Works”) owned by the United States acting through the Department of Interior Bureau of Reclamation (“Reclamation”), including the Jones Pumping Plant, Delta-Mendota Canal, Delta-Mendota Canal/California Aqueduct Intertie (sometimes referred to as the “Intertie”), Kesterson Reservoir, O’Neill Pumping-Generating Plant, San Luis Drain, and other facilities.

The Authority’s obligation to make payments with respect to the Bonds is a special obligation of the Authority payable solely from OM&R Revenues. OM&R Revenues include for any Fiscal Year or other period, all amounts received by the Authority for the operation, maintenance and replacement of the Project Works. The Bonds are payable from OM&R Revenues on a parity with the obligation of the Authority to pay principal of and interest on \$17,700,000 aggregate principal amount of other Operation and Maintenance Obligations. See the caption “THE AUTHORITY—Outstanding Obligations—Other Operation and Maintenance Obligations” in Appendix A hereto.

The operations the Project Works has been transferred to the Authority by Reclamation pursuant to a transfer agreement (as more particularly described under the caption “THE AUTHORITY—Transfer Agreement,” the “Transfer Agreement”). Such OM&R Revenues are generally paid by or on behalf of contractors receiving water under water service, water repayment or other contracts with Reclamation. OM&R Revenues also includes certain payments received by the Authority from Friant Water Authority (“FWA”) pursuant to the terms of the memorandum of understanding (as more particularly described under the caption “THE AUTHORITY—Friant MOU”); provided, however, no principal or interest on the Bonds will be charged to Friant Water Authority. See the caption “JONES PUMPING PLANT PROJECT.” Such amounts are paid by FWA on behalf of Friant Division contractors with respect to settlement water delivered by the Authority to certain water agencies (the “Settlement Contractors”). See the caption “SECURITY FOR THE BONDS—Limited Liability.”

* *Preliminary, subject to change.*

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by _____. See the caption “BOND INSURANCE.”

A Reserve Fund for the Bonds is established pursuant to the Indenture in an amount equal to the Reserve Requirement. _____ has committed to issue, concurrently with the delivery of the Bonds, a municipal bond debt service reserve insurance policy in the principal amount of \$_____ for deposit in the Reserve Fund. See the caption “SECURITY FOR THE BONDS—The Reserve Fund Insurance Policy.” The Authority is not obligated: (i) to make any additional deposits into the Reserve Fund in the event that _____ defaults on its obligation to make payments under the municipal bond debt service reserve insurance policy; or (ii) to replace the municipal bond debt service reserve insurance policy in the event of a rating downgrade of _____.

The summaries and references to the Indenture, the Continuing Disclosure Certificate executed by the Authority as of the date of issuance of the Bonds (the “Continuing Disclosure Certificate”), the Transfer Agreement, the Friant MOU, and all other documents, statutes, reports and other instruments which are referred to herein do not purport to be complete, comprehensive or definitive, and each such summary or reference is qualified in its entirety by the provisions of the full such document, statute, report or instrument, copies of which are available for inspection at the offices of the Authority in Los Baños, California or from the Trustee upon request and payment of duplication cost. See Appendix B for summaries of certain provisions of the Indenture. Unless otherwise indicated, all financial and statistical information in this Official Statement has been provided by the Authority.

The Authority regularly prepares a variety of reports, including audits, budgets and related documents. Any Bond Owner may obtain a copy of such report, as available, from the Trustee or the Authority. Additional information regarding this Official Statement may be obtained by contacting the Trustee or 842 6th Street, Los Baños, California 93635, Attention: Chief Operating Officer, Telephone: 209-832-6200.

JONES PUMPING PLANT PROJECT

The Jones Pumping Plant Unit Motor Rehabilitation Project (the “Project”) consists of the rehabilitation of the 22,500 HP motors on each of the six pumping units at the Jones Pumping Plant that have reached the end of their service life. The Project consists of removing and replacing the stator core (approximately 32 tons of steel laminations), removing and replacing 228 stator coils, rehabilitating the nearly 70-year-old stator frame, and removing, refurbishing, and re-installing the 40 rotor field poles. Water deliveries from the Jones Pumping Plant are not anticipated to be reduced during the rehabilitation work.

Each unit motor will be rehabilitated individually over the course of 46 months (or approximately 9 months per unit). The Authority and Reclamation completed the necessary rehabilitation on the first unit (Unit 6) in February 2019. The rehabilitation of Unit 6 was paid by the Authority from the proceeds of a loan from Reclamation made to the Authority pursuant to the first Reclamation Repayment Contract, dated February 5, 2018 (the “2018 Reclamation Repayment Contract”). The Authority collected the cost of the rehabilitation of the second unit (Unit 2), which was completed in June, 2020, through OM&R rates. The rehabilitation work on the third unit (Unit 5), which began in late June 2020, and the rehabilitation work on the sixth unit (Unit 3), which has not yet begun, will be paid for using the proceeds of a loan from Reclamation pursuant to the second Reclamation Repayment Contract, dated June 29, 2020 (the “2020 Reclamation Repayment Contract”) and together with the 2018 Reclamation Repayment Contract, the “Reclamation Repayment Contracts”).

The rehabilitation of the fourth unit (Unit 1) and fifth unit (Unit 4) will be funded using proceeds of the Bonds and payments to be received from FWA, as set forth in that certain Funding Agreement dated November 6, 2020, by and between the Authority and FWA (the “FWA JPP Funding Agreement”). Pursuant to the FWA JPP Funding Agreement, FWA paid \$1,755,108.40 to the Authority in November 2020 and is obligated to make four additional payments to the Authority on or before the dates the Authority makes

progress payments to the contractor for the rehabilitation of Unit 1 and Unit 4, for a total contribution from FWA of \$4,939,866.42, subject to adjustment to reflect FWA's share of the actual cost of rehabilitation of the fourth and fifth units. Pursuant to the FWA JPP Funding Agreement, FWA also agreed to pay approximately \$101,000, a proportionate share of the cost of issuing the Bonds. See the caption Appendix A—"INFORMATION CONCERNING THE AUTHORITY AND OM&R REVENUES—INVESTMENT CONSIDERATIONS—FWA Contributions to Project Costs."

The rehabilitation work on Units 1 and 4 began in November, 2020 and is expected to be completed in March, 2022. The Authority may substitute Unit 3 for either Unit 1 or Unit 4 as provided in the Indenture. See Appendix C—"DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE OM&R MASTER RESOLUTION AND THE INDENTURE—THE INDENTURE—ISSUANCE OF BONDS; APPLICATION OF PROCEEDS—Changes to the Project."

On September 9, 2020, Reclamation confirmed to the Authority that the Project constitutes extraordinary maintenance work. As extraordinary maintenance work, the Authority is permitted to collect OM&R Revenues to pay the principal of and interest on the Bonds pursuant to the Transfer Agreement and the Friant MOU.

THE AUTHORITY

General

The Authority is presently composed of 27 public agency Members, 25 of which are contractors with the United States and which receive water from the Central Valley Project (the "CVP"). The Authority members are located on the west side of the San Joaquin Valley in San Joaquin, Stanislaus, Merced, Fresno, and Kings Counties and in San Benito and Santa Clara Counties. The governing body of the Authority consists of a 19-member Board of Directors (each, a "Director") appointed by five divisions within the Authority. One alternate director is appointed for each Director. Every Member is assigned to one of the five divisions, based upon geographic location. Each Director has one vote. Current Members are listed in Appendix A hereto.

The Authority was established as a joint powers authority under California law in January 1992. Its Members provide water service to a total of approximately 1,200,000 acres in agricultural production, to a population of approximately two million, and to wildlife refuges within the Grasslands Water District (a Member of the Authority). The Authority was formed: (i) to assume operation and maintenance responsibilities of certain federal facilities owned by the United States which serve the Authority's Members; and (ii) to provide for unified representation of its membership on matters of common interest, including regulatory, legislative, water rights and drainage matters, CVP operations and contracts and the dissemination of general information. The Authority has two key policy committees that make recommendations to the Board of Directors, the Finance and Administration Committee and the Water Resources Committee, as well as steering committees that oversee specific projects.

Transfer Agreement

The Authority began operating the Project Works in 1992 pursuant to a cooperative agreement funded through federal appropriations. In 1998, the Authority began operating the Project Works pursuant to the terms of a transfer agreement entered into by the Department of Interior Bureau of Reclamation ("Reclamation") and the Authority (the "Original Transfer Agreement"). The Original Transfer Agreement had a term of 25 years. The Authority currently operates the Project Works, including the Jones Pumping Plant, under a transfer agreement entered into on January 14, 2020 (the "Transfer Agreement"), which superseded the Original Transfer Agreement. The Transfer Agreement has a term of 35 years, unless terminated earlier by Reclamation or the Authority. Both the Authority and Reclamation can terminate the

Transfer Agreement upon one year notice to the other. See “SECURITY FOR THE BONDS—Termination of Transfer Agreement.” See Appendix D for a copy of the Transfer Agreement.

For a description of the OM&R rate setting authority of the Authority under the Transfer Agreement, see the caption “THE AUTHORITY—OM&R Rate Setting” in Appendix A hereto.

Friant MOU

The Authority and the Friant Water Users Authority (“FWUA”) entered into a memorandum of understanding, effective March 1, 1998 (the “Original Friant MOU”) with respect to OM&R of the Project Works. The Original Friant MOU was amended and restated as of September 1, 2002 by the Authority and FWUA (the “Friant MOU”). On June 30, 2004, the FWA succeeded to the rights and obligations of FWUA under the Friant MOU. The Friant MOU remains in effect until it is terminated by mutual agreement of FWA and the Authority, or until either the Transfer Agreement or the Friant Transfer Agreement is terminated.

Pursuant to the Friant MOU, FWA is responsible for paying OM&R Costs (defined in the Friant MOU) related to the conveyance or delivery of settlement water to the Settlement Contractors. FWA collects amounts necessary to pay the Authority amounts for such OM&R from contractors which have entered into water repayment or other water contracts with Reclamation from the Friant Division of the Central Valley Project (the “Friant Division Contractors”).

Under the Friant MOU, FWA acknowledges that the Friant Division Contractors have a critical interest in the OM&R of the Project Works allocable to settlement water delivered to the Settlement Contractors and have agreed to pay OM&R Costs incurred by the Authority under the Transfer Agreement associated with the delivery of settlement water to the Settlement Contractors in accordance with the Friant MOU. As further set forth in the Friant MOU, FWA collects amounts to pay such OM&R to the Authority from Friant Division Contractors as permitted under the Friant Transfer Agreement entered into by FWA and Reclamation effective March 1, 1998. FWA succeeded to the rights and obligations of FWUA under the Friant Transfer Agreement on June 30, 2004. FWA is currently negotiating an extension of, and amendments to, the Friant Transfer Agreement with Reclamation. See Appendix A-“INFORMATION CONCERNING THE AUTHORITY AND OM&R REVENUES—THE AUTHORITY—Friant MOU.”

Notwithstanding the foregoing, the Authority and FWA entered into the FWA JPP Funding Agreement in November 2020 pursuant to which FWA will make payments to the Authority for the rehabilitation of the fourth and fifth units at the Jones Pumping Plant. As a result, the Authority will not charge any principal or interest on the Bonds to FWA. See “JONES PUMPING PLANT PROJECT.”

A more complete description of the Friant MOU is included in Appendix A under the caption “THE AUTHORITY—Friant MOU.” A copy of the Friant MOU is attached hereto as Appendix E. The description of the Friant MOU set forth herein is qualified in the entirety by the Transfer Agreement and potential investors are advised to review the Friant MOU in Appendix E hereto.

ESTIMATED SOURCES AND USES OF PROCEEDS

The following table sets forth the estimated sources and uses of proceeds of the Bonds.

Sources⁽¹⁾

Bond Proceeds	\$ _____
Total Sources	

Uses⁽¹⁾

Construction Fund	\$ _____
Costs of Issuance ⁽²⁾	_____
Total Uses	

⁽¹⁾ Rounded to the nearest dollar.

⁽²⁾ Includes certain legal, financing, rating agency and printing costs, premium payments for the reserve fund policy and the bond insurance policy and Underwriter's discount.

THE BONDS

General Provisions

The Bonds will be dated the initial date of delivery of the Bonds and will mature on the dates and in the amounts, and bear interest at the rates, set forth on the inside cover page hereof, which interest will be payable on March 1, 2021 and each March 1 and September 1 thereafter (each an "Interest Payment Date"). The Bonds will be delivered only in fully registered form without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book entry form only in denominations of \$5,000 or any integral multiple thereof. See the caption "—Book Entry System."

Interest on the Bonds is payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee sent by first class mail to the Owner at the address of such Owner as it appears on the Registration Books (except that in the case of an Owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such Owner's option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Owner prior to the Record Date). Principal of and premium (if any) on any Bond will be paid by check of the Trustee upon presentation and surrender thereof at maturity or upon the prior redemption thereof, at the Office of the Trustee. Both the principal of and interest and premium (if any) on the Bonds will be payable in lawful money of the United States of America.

Each Bond bears interest from the Interest Payment Date next preceding the date of authentication thereof unless: (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) it is authenticated on or before February 15, 2021, in which event it will bear interest from the Closing Date; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Interest on the Bonds will be calculated on the basis of a 360 day year composed of twelve 30 day months.

Book Entry System

DTC will act as securities depository for the Bonds, and the Bonds will be registered in the name of Cede & Co. (DTC's nominee). One fully registered certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity and will be deposited with DTC. So long as Cede & Co. is

the registered owner of the Bonds, references herein to the Owners of the Bonds mean Cede & Co. and do not mean the actual purchasers of the Bonds. The actual purchasers of the Bonds are referred to as the “Beneficial Owners.”

The Authority cannot and does not give any assurances that DTC participants or others will distribute payments with respect to the Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement.

See Appendix G for a further description of DTC and its book entry system. The information presented therein is based solely on information provided by DTC.

Transfers and Exchanges Upon Termination of Book Entry System

In the event that the book entry system described above is abandoned, Bonds will be printed and delivered. Thereafter, any Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by such person’s duly authorized attorney, upon surrender of such Bond at the Office of the Trustee for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. The Trustee is not required to register the transfer of any Bond during the period in which the Trustee is selecting Bonds for redemption or of any Bond that has been selected for redemption. Upon the surrender of a Bond for transfer, the Authority will execute and the Trustee will authenticate and deliver a new Bond or Bonds of authorized denomination or denominations for a like aggregate principal amount of the same series and maturity. The Bond Owner requesting any such transfer will pay any tax or other governmental charge required to be paid with respect to such transfer.

In the event that the book entry system described above is abandoned, Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity. The Trustee is not required to exchange any Bond during any period in which the Trustee is selecting Bonds for redemption or any Bond that has been selected for redemption. The Bond Owner requesting any such exchange will pay any tax or other governmental charge required to be paid in connection with respect to such exchange.

Redemption

Optional Redemption. The Bonds maturing on or after March 1, 20__ are subject to redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity as directed by the Authority in a Written Request provided to the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in the reasonable judgment of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000, on or after March 1, 20__, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

Make-Whole Optional Redemption. The Bonds are subject to redemption prior to March 1, 20__ at the option of the Authority, as a whole or in part on any Business Day in the order of maturity as directed by the Authority in a Written Request provided to the Trustee at least thirty-five (35) days (or such lesser number of days acceptable to the Trustee in the reasonable judgment of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000, at the “Make-Whole Redemption Price.” “Make-Whole Redemption Price” means the greater of (1) 100% of the principal amount of the Bonds being redeemed, and (2) the sum of the present values of the remaining unpaid scheduled payments of principal and interest on any Bonds being redeemed, not including any portion of those payments of interest accrued and unpaid to the date of redemption, discounted to the redemption date on a semi-annual

basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus ___ basis points, plus accrued and unpaid interest on the Bonds to be redeemed on the redemption date.

Mandatory Sinking Fund Redemption. The Bonds with stated maturities on March 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on each March 1 on and after March 1, 20__, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date (March 1)</i>	<i>Principal Amount</i>
---	------------------------------------

* Final Maturity.

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Bonds will be selected for redemption in accordance with DTC procedures by lot within a maturity and in integral multiples of \$5,000. The Trustee will promptly notify the Authority in writing of the numbers of the Bonds or portions thereof so selected for redemption.

Notice of Redemption. Notice of redemption will be mailed by first class mail not less than 20 days or more than 60 days before any Redemption Date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and to the Information Services. Each notice of redemption must state the redemption date, the place or places of redemption, whether less than all of the Bonds are to be redeemed, the distinctive numbers of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice must also state that on the redemption date there will become due and payable on each of said Bonds or parts thereof designated for redemption the Redemption Price thereof, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Bonds be surrendered. Neither the failure to receive any notice nor any defect therein will affect the validity of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds will be given by the Trustee upon written request of the Authority, at the expense of the Authority, for and on behalf of the Authority.

Any notice of redemption of Bonds may further state that such redemption is conditional upon the irrevocable deposit with the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Bonds to be redeemed and that, if such moneys have not been so deposited, said notice will be of no force and effect and the Trustee will not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so deposited, the redemption will not be made, and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received, and that the notice of redemption originally sent is of no further force and effect.

Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered and of the same series, interest rate and maturity.

Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption being irrevocably deposited with the Trustee, on the

redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption will become irrevocably due and payable, interest on the Bonds so called for redemption will cease to accrue, said Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said Bonds will have no rights in respect thereof except to receive payment of the Redemption Price thereof. The Trustee will, upon surrender for payment of any of the Bonds to be redeemed on their Redemption Dates, pay such Bonds at the Redemption Price. All Bonds redeemed pursuant to the provisions of the Indenture will be canceled upon surrender thereof, and destroyed by the Trustee whereupon the Trustee shall send to the Authority a certificate of such destruction.

DEBT SERVICE SCHEDULE

Set forth below is a schedule of principal of and interest on the Bonds and other Operation and Maintenance Obligations that will remain outstanding after the issuance of the Bonds for the period ending March 1 in each of the years indicated:

<i>March 1</i>	<i>Bonds</i>			<i>Other Operation and Maintenance Obligations ⁽¹⁾</i>	<i>Total Debt Service</i>
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>		
2021				\$ 414,018	
2022				730,147	
2023				730,147	
2024				1,066,333	
2025				1,066,333	
2026				1,066,333	
2027				1,066,333	
2028				1,066,333	
2029				1,066,333	
2030				1,066,333	
2031				1,066,333	
2032				1,066,333	
2033				1,066,333	
2034				1,066,333	
2035				652,316	
2036				652,316	
2037				652,316	
2038				652,316	
2039				652,316	
2040				652,316	
2041				652,316	
2042				652,316	
2043				652,316	
2044				652,316	
2045				336,186	
2046				<u>336,186</u>	
TOTAL				\$ 21,199,638	

⁽¹⁾ Payments on the Reclamation Repayment Contracts. Payments on the 2020 Repayment Contract are projected. Payments on the 2020 Repayment Contract will become fixed upon completion of the extraordinary maintenance work financed under the 2020 Repayment Contract. See the caption "JONES PUMPING PLANT PROJECT" herein and the caption "THE AUTHORITY—Outstanding Obligations—Other Operation and Maintenance Obligations" in Appendix A hereto.

Source: Citigroup Global Markets Inc. and Fieldman, Rolapp & Associates, Inc.

SECURITY FOR THE BONDS

General

Pursuant to the Indenture, the Trust Estate (defined in Appendix C), including without limitation all of the OM&R Revenues, all amounts held in the OM&R Revenue Fund, all funds and accounts maintained under Resolution 2020-454 adopted by the Authority on February 6, 2020 to prioritize the use of OM&R Revenues (the “OM&R Master Resolution”), all amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund), are irrevocably pledged by the Authority under the Indenture to secure the payment of the principal of and interest, and the premium, if any, on the Bonds in accordance with their terms and the provisions of the Indenture, subject however to the pledge thereon securing any other Operation and Maintenance Obligations, which pledge on OM&R Revenues is on a parity with the Bonds, and the OM&R Revenues will not be used for any other purpose while the Bonds remain Outstanding; provided that out of the OM&R Revenues there may be apportioned such sums for such purposes as are expressly permitted in the OM&R Master Resolution. Said pledge, together with the pledge created for the benefit of other Operation and Maintenance Obligations, will constitute a first lien on OM&R Revenues and, subject to application of OM&R Revenues and all amounts on deposit in the funds and accounts maintained under the OM&R Master Resolution as permitted therein and the funds and accounts maintained under the Indenture as permitted therein, the OM&R Revenue Fund and other funds and accounts created under the OM&R Master Resolution and under the Indenture for the payment of the principal of and interest, and the premium, if any, on the Bonds in accordance with the terms of the Bonds and the Indenture, and will attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act and will be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice hereof.

The Bonds are intended to be an “Operation and Maintenance Obligation” under the OM&R Master Resolution and are secured by the pledge and liens created in the OM&R Master Resolution on a parity with any other Operation and Maintenance Obligation thereunder and will be paid prior to other Operation and Maintenance Costs as set forth in the OM&R Master Resolution.

In order to carry out and effectuate the pledge and lien contained in the OM&R Master Resolution for the Bonds, and pursuant to the OM&R Master Resolution, not later than each Payment Date, the Authority will transfer OM&R Revenues from the OM&R Revenue Fund to the Trustee in the amount, if any, necessary for the payments of interest and principal on the Bonds due and payable on the next succeeding Interest Payment Date.

Except as directed in the Indenture, all payments of interest and principal on the Bonds transferred by the Authority from the OM&R Revenue Fund to the Trustee will be promptly deposited by the Trustee upon receipt thereof into the Payment Fund; except that all moneys received by the Trustee and required under the Indenture to be deposited in the Redemption Fund will be promptly deposited therein. See the caption “— Payments Under The Indenture.”

OM&R Master Resolution

The Authority adopted the OM&R Master Resolution on February 6, 2020 to prioritize the use of OM&R Revenues. Pursuant to the OM&R Master Resolution, the Authority agreed to maintain, so long as any Operation and Maintenance Obligations remain unpaid, the OM&R Revenue Fund to be held by the Authority. Amounts in the OM&R Revenue Fund will be disbursed, allocated and applied solely to the uses and purposes described below and as permitted under the Transfer Agreement, and will be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority.

All OM&R Revenues and all amounts on deposit in the OM&R Revenue Fund are allocated under the OM&R Master Resolution to the payment of the Operation and Maintenance Obligations, Operation and

Maintenance Costs and other costs as described below. The OM&R Revenues and all amounts on deposit in the OM&R Revenue Fund will not be used for any other purpose while any Operation and Maintenance Obligations remain unpaid.

In order to carry out and effectuate the obligations of the Authority under the OM&R Master Resolution, the Authority agreed and covenanted in the OM&R Master Resolution that all OM&R Revenues received by the Authority will be deposited when and as received in the OM&R Revenue Fund.

The Authority agreed in the OM&R Master Resolution to transfer or make payments from the OM&R Revenue Fund of the amounts set forth below at the following times and in the following order of priority:

(a) Payments with respect to Operation and Maintenance Obligations (which includes the Bonds and the Reclamation Repayment Contracts) at the times and in the amounts required thereby;

(b) So long as the Authority reasonably determines that there will be sufficient OM&R Revenues to make the transfers in (a) above for the remainder of the Fiscal Year, such amounts at such times as the Authority requires to provide for the payment of Operation and Maintenance Costs; and

(c) So long as the Authority reasonably determines that there will be sufficient OM&R Revenues to make the transfers in (a) and (b) above for the remainder of such Fiscal Year, for any lawful purpose, including but not limited to Capital Improvements (as defined in the OM&R Master Resolution) funded or financed by the Authority pursuant to the Transfer Agreement.

See Appendix C—“DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE OM&R MASTER RESOLUTION AND THE INDENTURE” for a summary of certain provisions of the OM&R Master Resolution.

Payments Under The Indenture

Pursuant to the Indenture, the Trustee has created a Payment Fund, along with a 2021 Bonds Interest Account and a 2021 Bonds Principal Account therein, and has been instructed to deposit all amounts paid by the Authority from OM&R Revenues to pay principal of and interest on the Bonds in the Payment Fund.

The Trustee will transfer from the Payment Fund and deposit into the following respective accounts and funds, the following amounts in the following order of priority and at the following times, the requirements of each such account and fund (including the making up of any deficiencies in any such account or fund resulting from lack of OM&R Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account or fund subsequent in priority:

(a) Not later than each Payment Date, the Trustee will deposit in the 2021 Bonds Interest Account that sum, if any, required to cause the aggregate amount on deposit in the 2021 Bonds Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all Bonds then Outstanding. The Trustee will also transfer to the applicable trustee for deposit in any applicable interest account, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, interest on any other Operation and Maintenance Obligation payable from OM&R Revenues on a parity with the Bonds, including but not limited to the Reclamation Repayment Contracts, in accordance with the provisions of the indenture, resolution or contract relating thereto.

(b) Not later than each Payment Date, the Trustee will deposit in the 2021 Bonds Principal Account that sum, if any, required to cause the aggregate amount on deposit in the 2021 Bonds Principal Account to equal the principal amount of the Bonds coming due and payable on such date or subject to mandatory sinking fund redemption on such date. The Trustee will also transfer to the applicable trustee for deposit in any applicable principal account, without preference or priority, and in the event of any

insufficiency of such moneys ratably without any discrimination or preference, principal on any other Operation and Maintenance Obligation payable from OM&R Revenues on a parity with the Bonds, including but not limited to the Reclamation Repayment Contracts, in accordance with the provisions of the indenture, resolution or contract relating thereto.

(c) On each Interest Payment Date, the Trustee will, from the remaining moneys in the Revenue Fund, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the Reserve Fund and to the applicable trustee for such other reserve funds and/or accounts, if any, as may have been established in connection with on any other Operation and Maintenance Obligation payable from OM&R Revenues on a parity with the Bonds, that sum, if any, necessary to restore the Reserve Fund and such other funds or accounts to an amount equal to the Reserve Requirement and reserve requirement with respect thereto as the case may be; provided, however, that the Authority may provide for the Reserve Requirement with respect to the Reserve Fund by means other than cash and Permitted Investments pursuant to the Indenture.

(d) On the Business Day immediately succeeding each Interest Payment Date, the Trustee will transfer all amounts remaining on deposit in the Payment Fund to the Authority for deposit in the OM&R Revenue Fund.

All amounts in the 2021 Bonds Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds purchased or accelerated prior to maturity pursuant to the Indenture).

All amounts in the 2021 Bonds Principal Account will be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at maturity, mandatory sinking fund redemption, purchase or acceleration; provided, however, that at any time prior to selection for redemption of any such Bonds, upon written direction of the Authority, the Trustee will apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the 2021 Bonds Interest Account) as directed pursuant to a Request of the Authority, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the Bonds.

Rate Covenant

The Authority has covenanted in the OM&R Master Resolution, to the fullest extent permitted by law, to fix and prescribe rates, fees and charges for OM&R costs at the commencement of each Fiscal Year in accordance with the Transfer Agreement and the Friant MOU, which, together with other OM&R Revenues, are reasonably expected to be at least sufficient to yield during each Fiscal Year OM&R Revenues in an amount equal to or greater than the sum of (i) 1.10 times payments due on Operation and Maintenance Obligations and (ii) 1.00 times other Operation and Maintenance Costs. The Authority may make adjustments from time to time in such rates, fees and charges for OM&R costs and may make such classification thereof as it deems necessary, but will not reduce the rates, fees and charges for OM&R costs then in effect unless the OM&R Revenues from such reduced rates, fees and charges are reasonably expected to be sufficient to meet the requirements described in clauses (i) and (ii) above.

So long as the Authority has complied with its obligations described in the foregoing paragraph, the failure of OM&R Revenues to meet the threshold in the prior paragraph will not constitute a default or an event of default under the OM&R Master Resolution.

Limitations on Additional Operation and Maintenance Obligations

The Authority may at any time execute Operation and Maintenance Obligations payable from OM&R Revenues on a parity with the Bonds; provided:

(a) The OM&R Revenues for the most recent audited Fiscal Year preceding the date of execution of such Operation and Maintenance Obligations, including adjustments to give effect as of the first day of such Fiscal Year to increases or decreases in OM&R rates and charges approved and in effect as of the date of calculation, as evidenced by a certificate of an Authorized Officer on file with the Authority, will have produced a sum equal to at least one hundred ten percent (110%) of the payments under all Operation and Maintenance Obligations for such Fiscal Year plus Operation and Maintenance Obligations executed since the end of such Fiscal Year assuming such Operation and Maintenance Obligations had been executed at the beginning of such Fiscal Year; and

(b) The estimated OM&R Revenues for the then current Fiscal Year and for each of the next two Fiscal Years thereafter, as evidenced by a certificate of an Authorized Officer of the Authority on file with the Authority, including an allowance for estimated OM&R Revenues for each of such Fiscal Years arising from any increase in OM&R Revenues which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of an Authorized Officer on file with the Authority, will produce a sum equal to at least one hundred ten percent (110%) of the estimated payments under Operation and Maintenance Obligations for each of such Fiscal Years.

Nothing in the OM&R Master Resolution prevents the Authority from incurring obligations payable from OM&R Revenues, the OM&R Revenue Fund and amounts on deposit in the OM&R Revenue Fund on a basis subordinate to Operation and Maintenance Obligations.

Notwithstanding the foregoing, the Authority may incur a loan from the United States Environmental Protection Agency under the Water Infrastructure Finance and Innovation Act in an amount not to exceed \$19,300,000 and an additional repayment contract with Reclamation in an amount not to exceed \$12,500,000 to finance the cost of the Jones Pumping Plant Unit Motor Rehabilitation Project without compliance with the provisions described in clauses (a) and (b) above.

Termination of Transfer Agreement

The Transfer Agreement provides that the Secretary of the United States Department of the Interior (the "Contracting Officer") may terminate the Transfer Agreement on behalf of Reclamation at any time before the expiration of its term whenever the Contracting Officer determines that the Authority is in substantial violation of the Agreement as provided in the Transfer Agreement. The Authority may at any time, upon giving twelve (12) months written notice, terminate the Transfer Agreement; provided, that such termination shall not relieve the Authority of any of its duties, liabilities or obligations accruing from the effective date of the Transfer Agreement to the effective date of such termination, except insofar as the Authority lacks funding to perform such obligations due to a failure by the United States to meet any of its obligations under the Transfer Agreement.

The Transfer Agreement further provides that, upon any termination of the Transfer Agreement, the United States will take over from the Authority the care, OM&R of the Project Works and the Authority shall transfer to the United States (1) title to all tools, vehicles, supplies, and equipment transferred pursuant to the Original Transfer Agreement (to the extent still on hand) or purchased by the Authority for the purposes of the Transfer Agreement, and (2) any funds in its possession which were collected for, or allocated to, the OM&R of the Project Works for the then-current Fiscal Year which are in excess of the obligations of the Authority for the OM&R of the Project Works. All other funds and reserves in the Authority's possession, including without limitation all other funds collected for, or allocated to, the OM&R of the Project Works and the emergency reserves fund described below shall be retained or distributed by the Authority in accordance with the direction of the Authority's board of directors.

The Authority has covenanted in the Indenture not to terminate the Transfer Agreement unless (i) all Bonds are paid or deemed paid pursuant to the Indenture on or prior to the date the Transfer Agreement terminates, or (ii) (a) Reclamation and the Authority have entered into a Confirming Agreement (defined

below), and (b) each Rating Agency then maintaining a Rating on the Bonds has provided to the Authority and the Trustee written evidence that the termination of the Transfer Agreement will not result in a downgrade, suspension or withdrawal in the Rating on the Bonds.

The Indenture further provides that the Authority will comply with the terms and conditions of the Transfer Agreement and will not violate the terms and conditions of the Transfer Agreement in a substantial way which would give Reclamation the right to terminate the Transfer Agreement. Notwithstanding the foregoing, the Indenture provides that, in the event that the Authority receives an Initial Termination Notice (defined below) from Reclamation, (i) the Authority will use commercially reasonable efforts to correct all deficiencies referred to in such Initial Termination Notice on or prior to the Initial Termination Date (defined below), and (ii) the Authority will immediately amend the Authority's current and future years' budgets and OM&R rates to recover on or prior to the Final Termination Date (defined below) the full principal amount of the Bonds and all interest accruing through the Final Termination Date less any OM&R reserves or other OM&R moneys otherwise available for such purpose. In the event that the Authority receives a Final Termination Notice (defined below) from Reclamation, Reclamation has not executed a Confirming Agreement and the principal and interest of the Bonds has been accelerated in accordance with the Indenture, the Authority and Trustee will cause all OM&R Revenues and OM&R reserves to be applied to the payment of the principal of and interest due on the Bonds so accelerated.

The term "Confirming Agreement" is defined in the Indenture to mean a written agreement executed by Reclamation and the Authority in which Reclamation agrees to continue to collect or cause to be collected the principal of and interest on the Bonds as OM&R and to apply or cause to be applied the moneys so collected to the payment of the scheduled principal and interest on the Bonds in form and substance reasonably satisfactory to the Bond Insurer.

The term "Initial Termination Date" is defined in the Indenture to mean the 90th day (or such shorter time period as Reclamation may provide in accordance with the fourth sentence of Section 2(b) of the Transfer Agreement) after the date that the Authority receives an Initial Termination Notice from Reclamation; provided however, the Initial Termination Date shall automatically be extended to the extent that Reclamation has not delivered a Final Termination Notice.

The term "Initial Termination Notice" is defined in the Indenture to mean a notice delivered to the Authority by Reclamation pursuant to the third sentence of Section 2(b) of the Transfer Agreement.

The term "Final Termination Date" is defined in the Indenture to mean the termination date set forth in the Final Termination Notice, which date may be extended from time to time by Reclamation.

The term "Final Termination Notice" is defined in the Indenture to mean a notice delivered to the Authority by Reclamation pursuant to the fifth sentence of Section 2(b) of the Transfer Agreement.

For more information regarding the Transfer Agreement, see Appendix A—"INFORMATION CONCERNING THE AUTHORITY AND OM&R REVENUES—THE AUTHORITY—Transfer Agreement." A copy of the Transfer Agreement is attached to the Official Statement as Appendix D. The description of the Transfer Agreement herein is qualified in the entirety by the Transfer Agreement and potential investors are advised to review the Transfer Agreement in Appendix D hereto.

Limited Liability

THE AUTHORITY DOES NOT HAVE THE POWER TO LEVY OR COLLECT ANY FORM OF TAXES. THE OBLIGATION OF THE AUTHORITY TO MAKE PAYMENTS WITH RESPECT TO THE BONDS IS A SPECIAL OBLIGATION WHICH IS PAYABLE SOLELY FROM THE REVENUES AND OTHER AMOUNTS PLEDGED THEREFOR UNDER THE INDENTURE.

THE BONDS ARE NOT A DEBT OF THE MEMBERS OF THE AUTHORITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY), AND NEITHER THE MEMBERS OF THE AUTHORITY, SAID STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY) IS LIABLE UNDER THE INDENTURE. NO MEMBER, OFFICER, AGENT, EMPLOYEE, CONSULTANT OR ATTORNEY OF THE AUTHORITY OR ANY MEMBER IS INDIVIDUALLY OR PERSONALLY LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM OR INTEREST ON THE BONDS OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THE ISSUANCE THEREOF.

The payment of principal and interest required to be made by the Authority with respect to the Bonds are not secured by, and the Bond Owners have no security interest in or mortgage on any assets of the Authority, other than the OM&R Revenues, or on the water systems or irrigation systems of any of the Members, FWA or the Friant Division Contractors or any other property thereof. Default by the Authority will not result in loss of any property of the Authority, any Member, FWA or any Friant Division Contractors.

The Reserve Fund Insurance Policy

_____ (“___”) has made a commitment to issue a municipal bond debt service reserve insurance policy for the Reserve Fund with respect to the Bonds (the “Reserve Fund Policy”), effective as of the date of issuance of the Bonds. Under the terms of the Reserve Fund Policy, ___ will, subject to the Reserve Fund Policy Limit described below, unconditionally and irrevocably guarantee to pay that portion of the scheduled principal of and interest on the Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the Authority (the “Insured Payments”).

___ will pay each portion of an Insured Payment that is due for payment and unpaid by reason of nonpayment by the Authority to the Trustee, as beneficiary of the Reserve Fund Policy on behalf of the holders of the Bonds, on the later to occur of: (i) the date that such scheduled principal or interest becomes due for payment; or (ii) the Business Day next following the day on which ___ receives a demand for payment therefor in accordance with the terms of the Reserve Fund Policy.

No payment shall be made under the Reserve Fund Policy in excess of the lesser of \$_____ and the Reserve Requirement established for the Bonds (the “Reserve Fund Policy Limit”). Pursuant to the terms of the Reserve Fund Policy, the amount available at any particular time to be paid to the Trustee will automatically be reduced to the extent of any payment made by ___ under the Reserve Fund Policy, provided that, to the extent of the reimbursement of such payment by the Authority to ___, the amount available under the Reserve Fund Policy shall be reinstated in full or in part, in an amount not to exceed the Reserve Fund Policy Limit.

The Reserve Fund Policy does not insure against nonpayment caused by the insolvency or negligence of the Trustee.

___ makes no representation regarding the Bonds or the advisability or suitability of investing in the Bonds. In addition, ___ has not verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding ___, supplied by ___ and presented under the captions “BOND INSURANCE” and “SECURITY FOR THE BONDS—The Reserve Fund Insurance Policy.”

The Authority is not obligated: (i) to make any additional deposits into the Reserve Fund in the event that ___ defaults on its obligation to make payments under the Reserve Fund Policy; or (ii) to replace the Reserve Fund Policy in the event of a rating downgrade of ___.

BOND INSURANCE

The information under this caption has been prepared by _____ for inclusion in this Official Statement. Neither the Authority nor the Underwriter has reviewed this information, nor does the Authority or the Underwriter make any representation with respect to the accuracy or completeness thereof. The following information is not a complete summary of the terms of the Policy and reference is made to Appendix I for a specimen of the Policy.

[TO COME WHEN BOND INSURER IS SELECTED]

APPROVAL OF LEGAL PROCEEDINGS

The legality and enforceability of the Bonds is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, acting as Bond Counsel. The form of such legal opinion is attached hereto as Appendix F. Certain legal matters will be passed upon for the Authority by Rebecca Akroyd, Esq., its general counsel, for _____ by its counsel, and for the Trustee by its counsel. The Underwriter is being represented by its counsel, Gilmore & Bell, P.C., Salt Lake City, Utah.

Bond Counsel expresses no opinion to the Owners of the Bonds as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the Bonds and expressly disclaims any duty to do so.

The fees being paid to Bond Counsel and counsel to the Underwriter are contingent upon the issuance of the Bonds.

Bond Counsel represents the Authority in connection with the issuance of the Bonds. Bond Counsel represents the Underwriter from time-to-time on matters unrelated to the Authority or the Bonds. While Bond Counsel provides bond counsel, disclosure counsel and certain other services to certain Authority Members from time-to-time, Bond Counsel is not representing any Authority Members in connection with the issuance of the Bonds.

LITIGATION

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the Authority, threatened against the Authority affecting the existence of the Authority or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture, the OM&R Master Resolution, the Transfer Agreement or the Friant MOU, or any action of the Authority contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Authority or its authority with respect to the Bonds or any action of the Authority contemplated by any of said documents, nor to the knowledge of the Authority, is there any basis therefor.

For a description of certain litigation involving or affecting the Authority or the Members see the caption "THE AUTHORITY—Litigation" in Appendix A hereto.

CONTINUING DISCLOSURE

The Authority has covenanted in a Continuing Disclosure Certificate for the benefit of Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data (the "Annual Report") relating to the Authority within nine months after the end of Authority's fiscal year (currently ending on the last day of February of each calendar year), commencing with the report for the fiscal year ending

February 28, 2021, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the Authority with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System, maintained on the Internet at <http://emma.msrb.org>. The specific nature of the information to be contained in the Annual Report and Notice of material events is set forth in Appendix H. These covenants have been made in order to assist the participating underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934. The Authority has not previously entered into any continuing disclosure obligations.

In order to assure compliance with its continuing disclosure obligation, the Authority adopted policies and procedures governing its initial and continuing disclosure undertakings in 2014 and has updated such policies and procedures in 2020.

TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest with respect to the Bonds is exempt from State of California personal income tax.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the Bond.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which a Bond holder may elect to amortize under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of taxable interest received), and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in an Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bond should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

In the event of a legal defeasance of a Bond, such bond might be treated as retired and "reissued" for federal tax purposes as of the date of the defeasance, potentially resulting in recognition of taxable gain or loss to the applicable Bond Owner generally equal to the difference between the amount deemed realized from the deemed redemption and reissuance and the Bond Owner's adjusted tax basis in such bond.

The federal tax and State of California personal income tax discussion set forth above is included for general information only and may not be applicable depending upon an owner's particular situation. The ownership and disposal of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

A copy of the proposed opinion of Bond Counsel is set forth in Appendix F.

RATINGS

The Authority expects that Moody's Investors Service ("Moody's") will assign the Bonds the rating of "___" based upon the delivery of the Policy and that Moody's will assign the Bonds the underlying rating of "___," notwithstanding the delivery of the Policy. There is no assurance that any credit rating given to the Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely

by Moody's, if, in the judgment of Moody's, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Such ratings reflect only the views of Moody's, and an explanation of the significance of such ratings may be obtained from Moody's.

The Authority has covenanted in a Continuing Disclosure Certificate to file on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA"), notices of any rating changes on the Bonds. See the caption "CONTINUING DISCLOSURE" above and Appendix H—"FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from the rating agencies prior to such information being provided to the Authority and prior to the date the Authority is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to the ratings agencies and their respective websites and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance of the Bonds.

In providing a rating on the Bonds, certain rating agencies may have performed independent calculations of coverage ratios using their own internal formulas and methodology which may not reflect the provisions of the OM&R Master Resolution or the Indenture. The Authority makes no representations as to any such calculations, and such calculations should not be construed as a representation by the Authority as to past or future compliance with any financial covenants, the availability of particular revenues for the payment of the Bonds or for any other purpose.

The Authority makes no representation as to ____'s creditworthiness and no representation that ____'s credit rating will be maintained in the future. Moody's has previously taken action to downgrade the ratings of certain municipal bond insurers and has published various releases outlining the processes that Moody's intends to follow in evaluating the ratings of financial guarantors. For some financial guarantors, the result of such evaluations could be a rating affirmation, a change in rating outlook, a review for downgrade or a downgrade. Potential investors are directed to Moody's for additional information on Moody's evaluations of the financial guaranty industry and individual financial guarantors, including _____. See the caption "BOND INSURANCE" for further information relating to _____.

MUNICIPAL ADVISOR

The Authority has retained Fieldman, Rolapp & Associates, Inc., Irvine, California, as municipal advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. The Municipal Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The fees being paid to the Municipal Advisor are contingent upon the issuance of the Bonds.

The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

UNDERWRITING

The Bonds will be purchased by Citigroup Global Markets Inc., as underwriter (the "Underwriter"), under a Purchase Contract, dated _____, 2021 (the "Purchase Contract"), pursuant to which the Underwriter agrees to purchase all, but not less than all, of the Bonds for an aggregate purchase price of \$_____ (representing the principal amount thereof and less an Underwriter's discount of \$_____). The Purchase Contract provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such a purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions.

The initial public offering price may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into

investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering price.

The Underwriter has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, “Fidelity”). Under this distribution agreement, the Underwriter may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, the Underwriter will compensate Fidelity for its selling efforts.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Authority for which they received or will receive customary fees and expenses. In addition, certain affiliates of the Underwriter are lenders, and in some cases agents or managers for the lenders, under credit and liquidity facilities.

In the ordinary course of their various business activities, the Underwriter and its respective 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 their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

FORWARD LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the captions “THE AUTHORITY,” “SECURITY FOR THE BONDS,” and in Appendix A hereto.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE AUTHORITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

MISCELLANEOUS

Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the Bonds.

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

SAN LUIS & DELTA-MENDOTA AUTHORITY

By: _____
Chair

APPENDIX A

INFORMATION CONCERNING THE AUTHORITY AND OM&R REVENUES

CERTAIN STATEMENTS CONTAINED IN THIS APPENDIX REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND “FORWARD-LOOKING STATEMENTS.” NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS “ESTIMATE,” “PROJECT,” “ANTICIPATE,” “EXPECT,” “INTEND,” “BELIEVE” AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS APPENDIX.

THE AUTHORITY

The Authority is presently composed of 27 public agency Members, 25 of which are contractors with the United States and which receive water from the Central Valley Project (the “CVP”). The Authority members are located on the west side of the San Joaquin Valley and in San Joaquin, Stanislaus, Merced, Fresno, Kings, San Benito, and Santa Clara Counties. The governing body of the Authority consists of a 19-member Board of Directors (each, a “Director”) elected by five divisions within the Authority. One alternate director is appointed for each Director. Every Member is assigned to one of the five divisions, based upon geographic location. Each Director has one vote. Current Members are listed under the caption “—The Members.”

The Authority was established as a joint powers authority under California law in January 1992. Its Members provide water service to a total of approximately 1,200,000 acres in agricultural production and to a population of approximately two million. The Authority was formed: (i) to assume operation and maintenance responsibilities of certain federal facilities owned by the United States which serve the Authority’s Members; and (ii) to provide for unified representation of its membership on matters of common interest, including regulatory, legislative, water rights and drainage matters, CVP operations and contracts and the dissemination of general information. The Authority has two key policy committees that make recommendations to the Board of Directors, the Finance and Administration Committee and the Water Resources Committee, as well as steering committees that oversee specific projects. The Authority has a staff of 100 full time employees and two part-time employees.

The Members

Set forth below are the Members of the Authority, the CVP allocation in acre feet applicable thereto if the Member has a CVP contract quantity, and the CVP unit or division through which the Authority conveys or delivers water to such Members if the Member has a CVP contract. The CVP Contract quantities listed include quantities of water delivered pursuant to contract assignments. The table also identifies the Authority Members that receive settlement or exchange contract water pursuant to settlement or exchange contracts (“Settlement Contractors or Exchange Contractors”). Settlement Contractors and Exchange Contractors receive water pursuant to contracts with the United States, and are the least likely to incur shortages in times of water supply shortages.

<i>Member</i>	<i>CVP Contract Quantity (AF)</i>	<i>Delta Division</i>	<i>Settlement Contractor</i>	<i>San Felipe Unit</i>	<i>San Luis Unit</i>
Banta-Carbona Irrigation District	20,000	X			
Broadview Water District ⁽¹⁾	0				
Byron Bethany Irrigation District ⁽²⁾	23,100	X			
Central California Irrigation District	532,400		X		
City of Tracy	20,000	X			
Columbia Canal Company ⁽³⁾	59,000		X		
Del Puerto Water District	140,210	X			
Eagle Field Water District	4,550	X			
Firebaugh Canal Water District	85,000		X		
Fresno Slough Water District	4,866	X	X		
Grassland Water District	53,500	X			
Henry Miller Reclamation District #2131 ⁽⁴⁾	163,600		X		
James Irrigation District	45,000	X	X		
Laguna Water District	800	X			
Mercy Springs Water District	2,842	X			
Oro Loma Water District	600	X			
Pacheco Water District	10,080				X
Panoche Water District ⁽⁴⁾	94,000				X
Patterson Irrigation District	22,500	X	X		
Pleasant Valley Water District ⁽¹⁾	0				
Reclamation District 1606	570	X	X		
San Benito County Water District	43,800			X	
San Luis Water District ⁽⁵⁾	125,080				X
Santa Clara Valley Water District ⁽⁶⁾	154,065			X	
Tranquillity Irrigation District	34,000	X	X		
Turner Island Water District ⁽¹⁾	0				
West Stanislaus Irrigation District	50,000	X			
Westlands Water District ⁽⁵⁾	1,195,383				X

⁽¹⁾ Member does not have a CVP contract.

⁽²⁾ Includes an assignment by West Side Irrigation District of a CVP Contract allocation of 2,500 AF.

⁽³⁾ Columbia Canal Company is associated with the Authority, but is not a Member.

⁽⁴⁾ Boundaries are coterminous with San Luis Canal Company.

⁽⁵⁾ Member takes water through both the San Luis Unit and the Delta Division.

⁽⁶⁾ Includes an assignment by Mercy Springs Water District of a CVP Contract allocation of 1,565 AF.

Governance and Management

Board of Directors. The Authority is governed by a 19-member Board of Directors (the “Board”) appointed by Authority members in accordance with the Joint Powers Agreement. One alternate director is appointed for each Director. The current Directors are set forth below.

DIVISION 1

<i>Director</i>	<i>Member</i>
James McLeod	Banta-Carbona Irrigation District
Bobby Pierce	West Stanislaus Irrigation District
Anthea Hansen	Del Puerto Water District
Rick Gilmore	Byron Bethany Irrigation District/CVPSA

DIVISION 2

<i>Director</i>	<i>Member</i>
Dan Errotabere	Westlands Water District
William Bourdeau	Westlands Water District
William Diedrich	San Luis Water District
John Bennett	Panoche Water District

DIVISION 3

<i>Director</i>	<i>Member</i>
Dan McCurdy	Firebaugh Canal Water District
Chris White	Central California Irrigation District
Cannon Michael	Henry Miller Reclamation District 2131
Ric Ortega	Grassland Water District

DIVISION 4

<i>Director</i>	<i>Member</i>
John Varela	Santa Clara Valley Water District
Gary Kremen	Santa Clara Valley Water District
Jeff Cattaneo	San Benito County Water District
Joseph Tonascia	San Benito County Water District

DIVISION 5

<i>Director</i>	<i>Member</i>
Bill Pucheu	Tranquillity Irrigation District
Thomas W. Birmingham	Broadview Water District
Vacant	James Irrigation District

Management.

Federico Barajas. Responsibility for implementation of policies and directives of the Authority’s Board has been delegated to the Authority’s Executive Director, Federico Barajas. In the role of Executive Director, Mr. Barajas oversees all activity conducted by the Authority on behalf of its Members, including the operation, maintenance, and replacement (referred to herein as “OM&R”) of Project Works, and represents the public face of the organization.

Prior to being appointed Executive Director, Mr. Barajas served as Deputy Regional Director for the California-Great Basin (also sometimes referred to as the “Mid- Pacific Region”) at Reclamation. While at Reclamation, Mr. Barajas oversaw CVP operations and had direct oversight of all CVP offices. Mr. Barajas developed working relationships with federal, state and local governments, public water agencies, regulatory agencies, tribal governments and environmental groups.

During Mr. Barajas’ more than 20 years at Reclamation, Mr. Barajas filled numerous leadership roles managing the critical water infrastructure serving major parts of California, Nevada and Southern Oregon. Key positions held during his tenure with Reclamation include Area Manager of Northern California Area Office, based in Shasta Lake, CA; Deputy Manager of Central California Area Office, based in Folsom, CA; Regional Liaison in the Commissioner’s Office; and Special Assistant to the Department of the Interior’s Assistant Secretary for Water & Science in Washington, D.C. Mr. Barajas attended California State University, Sacramento and is a graduate of California Coast University, where he earned a Bachelor of Science degree and a Master of Business Administration.

Rebecca Akroyd, Esq. Rebecca Akroyd has served as the Authority’s General Counsel since December 2018, and reports directly to the Board. Ms. Akroyd performs a broad range of legal work,

including but not limited to preparing and issuing legal opinions, memoranda, and other legal documents; representing the Authority before administrative agencies and federal and state courts; providing legal counsel in and regarding planning processes and undertakings that may impact the Authority; analyzing legislation; and coordinating and overseeing activities of outside counsel.

Prior to becoming General Counsel, Ms. Akroyd served the Authority as Interim General Counsel and Deputy General Counsel. Ms. Akroyd was a shareholder in the law firm of Kronick, Moskovitz, Tiedemann & Girard before she joined the Authority. While in private practice from 2009 to 2017, Ms. Akroyd was counsel to the Authority on a variety of litigation and other matters, and additionally represented other private and public entities and people on a variety of issues, most of which concerned water and environmental laws. Ms. Akroyd earned a Bachelor of Arts degree from the University of California, Santa Barbara and her Doctor of Jurisprudence degree from University of California Davis School of Law. Ms. Akroyd was admitted to the California Bar in 2009.

Pablo Arroyave. Pablo Arroyave serves as Chief Operating Officer of the Authority. In this role, Mr. Arroyave oversees day to day operations and administration of the Authority and is responsible for OM&R of the Project Works. He directs and oversees the Authority's Operation and Maintenance, Engineering and Planning, Finance and Accounting, and Human Resources. As a member of the executive leadership team, he frequently interacts with employees, the public, member agencies and other organizations.

Prior to his current position, Mr. Arroyave served as a water resource consultant for ICF in Sacramento, California. In this role, Mr. Arroyave provided policy and science consulting services for irrigation districts, municipal water districts, cities and state agencies in the CVP and other parts of California.

From 1996-2017, Mr. Arroyave served in various roles for Reclamation throughout the west and in Washington, DC. Most recently as the Deputy Regional Director for the Mid-Pacific Region from 2009-2017, Mr. Arroyave assisted the Regional Director in overseeing the management of Reclamation's water projects in an area that encompasses the northern two-thirds of California, most of western Nevada and part of southern Oregon. In that role, Mr. Arroyave assisted the Regional Director in managing the CVP, which provides urban water to more than 3 million people, irrigation water to more than 3 million acres, industrial water for key economic areas of California such as the Silicon Valley, and environmental water for wildlife needs and fishery restoration, and generates some 5.6 billion kilowatt hours of electricity annually.

Mr. Arroyave previously served as the Assistant Regional Director for the Mid-Pacific Region of Reclamation, supervising technical offices and programs within the Region, the Area Manager of the Mid-Pacific Region's Klamath Basin Area Office in Klamath Falls, Oregon, the Deputy Area Manager of the Mid-Pacific Region's Lahontan Basin Area Office in Carson City, Nevada and as the Mid-Pacific Regional Liaison Officer in Washington, D.C., working with stakeholders, members of Congress, and leadership in the Department of the Interior, Reclamation, and other agencies. Mr. Arroyave began his Federal career as a Resource Area Biologist for the Bureau of Land Management in Kanab, Utah. Mr. Arroyave is a graduate of Texas A&M University in College Station, Texas, where he earned a Bachelor of Science degree.

Joyce Machado. Joyce Machado serves as the Authority's Director of Finance and has served as the Authority Treasurer since October 2018. Ms. Machado previously worked for five years (2011 to 2016) in the Finance Department as an Accountant III, before returning to the Authority in January 2018 to fill the vacant Supervisor of Accounting position. Ms. Machado was promoted to Director of Finance in September 2018 and took over full duties of this position while her predecessor prepared for retirement.

Under the direction of the Chief Operating Officer, Ms. Machado's role as Director of Finance includes managing all aspects of finance and accounting, as well as directing the Water Accounting Department and the Operational Accounting Department. As Treasurer, Ms. Machado is the depository of funds and has custody of all money of the Authority, from whatever source.

Ms. Machado began her career in accounting and finance 35 years ago while working for a CPA firm. Since then, Ms. Machado has gained experience in both private and public accounting, as well as having worked for two non-profit entities. Ms. Machado earned a Bachelor of Science degree in Business Administration with a concentration in Accounting from California State University Stanislaus. Ms. Machado has also completed graduate courses at Golden Gate University, majoring in Forensic Accounting.

Bob Martin. Robert (Bob) Martin serves as the Authority's Facility O&M Director. Under the direction of the Chief Operating Officer, Mr. Martin directs the engineering, planning, operation and maintenance activities associated with the OM&R of the Project Works. Mr. Martin has been with the Authority for 27 years. Prior to his current position, Mr. Martin served as the Engineering & Planning Department Manager for 11 years, as the Civil Engineering and Maintenance Department manager for 10 years and as the Authority Civil Engineer for 5 years. Mr. Martin also serves as a voting member of the Authority's O&M Technical Committee. Mr. Martin is a Registered Professional Civil Engineer with the State of California and is a member of the American Society of Civil Engineers. Mr. Martin's civil engineering career also includes 13 years with the U.S. Bureau of Reclamation. Mr. Martin received his Bachelor of Science degree in Civil Engineering from North Dakota State University.

Employee Relations

No employee of the Authority is represented by a union. The Authority has never experienced a strike or similar labor actions. 28 of the Authority's employees work in administration, 30 employees work in field operations, 22 employees work in plant operations, 7 employees work in control operations, 9 employees work in engineering, and 4 employees work in the Authority's warehouse.

Employee Benefits

Health Benefits. In July 2012, the Association of California Water Agencies Joint Powers Insurance Authority ("JPIA") Employee Benefits Program was established to provide medical and dental and vision coverage for members' employees and dependents. The preferred provider organization plans offered in the medical and dental coverage are self-insured. The JPIA carries reinsurance with Sun Life Assurance Company of Canada for coverage losses in excess of its self-insured retention of \$500,000 per beneficiary incurred during the policy period.

The Authority maintains workers' compensation insurance as noted under the caption "—Authority Insurance." Approximately 95% of such group insurance and workers compensation expenses was allocated to OM&R in Fiscal Year 2020.

Retirement Benefits. The Authority provides retirement benefits for all of its full-time employees through two defined contribution pension plans organized under Internal Revenue Code (IRC) Section 401(a) and a voluntary IRC Section 457 Deferred Compensation Plan. The benefit terms and contribution rates of the plans are established and may be amended by the Board of Directors.

The Authority provides two IRC Section 401(a) plans (the "Plans"). The 401a Executive Defined Contribution Plan (Plan 109325) and the 401a Defined Contribution Plan (Plan 109164). Plan 109325 requires the employee to contribute 5% of "base annual salary" to the Plan and the Authority matches 5%. Plan 109164 requires the Authority to contribute an amount equal to 8% of the employee's "base annual salary" to the Plan. "Base annual salary" is defined as gross base annual salary, which excludes overtime, merit pay awards, shift differential premiums, or any other special pay. All employer and employee contributions and earnings on those contributions are vested immediately. Employees may contribute up to 25% of their total compensation up to \$30,000 per year of combined employer and employee contributions, subject to IRC contribution limits. For the years ended February 29, 2020 and February 28, 2019, the employer contributions to the Plans were \$825,227 and \$740,183 and the employee contributions were \$117,003 and \$111,089, respectively.

Employees are also eligible to participate in a voluntary IRC Section 457 Deferred Compensation Plan (the “457 Plan”) from date of employment. If an employee elects to participate in the 457 Plan, the Authority will match up to 5% of the employee’s base gross annual salary, which excludes overtime, merit pay awards, shift differential premiums, or any other special pay. Employee contributions are based on W-2 earnings. All employer and employee contributions and earnings on those contributions are vested immediately. The funding limit is the lesser of \$7,500 per year, or 33% of includable compensation, which equates to 25% of total compensation. For the years ended February 29, 2020 and February 28, 2019, the employer contributions were \$291,792 and \$251,334 and the employee contributions were \$595,057 and \$640,151, respectively.

See Note 10 to the Financial Statements attached in Appendix B to the Official Statement.

Authority Insurance

The Authority is a member of the JPIA for general liability, property, workers’ compensation and employer’s liability, and health benefits insurance. The JPIA is a special district in the State of California and its formation and operation are subject to the provisions of the California Government Code. The purpose of the JPIA is to provide risk sharing pools to meet the needs of its member water agencies. Each member selects one representative to serve as a director on the JPIA Board of Directors. The relationship is such that the JPIA is not considered a component unit of the Authority for financial reporting purposes.

For general liability, auto liability and public officials’ liability insurance, the Authority is fully responsible for claims up to a Retrospective Allocation Point (“RAP”) of \$25,000. Coverage between the Authority’s RAP and \$5,000,000 is provided through the JPIA risk pool. Coverage from \$5,000,000 to \$60,000,000 is provided through insurance purchased by the JPIA on behalf of its members.

The Authority has coverage up to \$2,000,000 for workers’ compensation and employer’s liability provided through the JPIA risk pool and \$2,000,000 of excess coverage is purchased by the JPIA on behalf of its members to the \$4,000,000 statutory limits.

For the liability and workers’ compensation programs, retrospective premium adjustments are determined for each policy year. The adjustment can result in an additional charge or a refund to the member entity. The adjustment is computed as the difference between premiums received from the member entity and direct and pooled claims losses and other costs, net of investment income, including unallocated claims expenses, excess insurance premiums, and administrative expenses.

The Authority has a deductible for the property program ranging from \$500 for vehicle coverage to \$50,000 or \$5 per kilowatt hour for turbine units and associated equipment. The JPIA has a pooled self-insured retention (SIR) level of \$100,000 for the fiscal years ending February 29, 2020 and February 28, 2019. The JPIA provides coverage above its SIR up to \$500,000,000 through purchased insurance.

In July 2012, the JPIA Employee Benefits Program was established to provide medical and dental and vision coverage for members’ employees and dependents. The preferred provider organization plans offered in the medical and dental coverage are self-insured. The JPIA carries reinsurance with Sun Life Assurance Company of Canada for coverage losses in excess of its self-insured retention of \$500,000 per beneficiary incurred during the policy period.

Settled claims have not exceeded any of the Authority’s coverage amounts in any of the last three fiscal years and there were no significant reductions in the Authority’s coverage during the fiscal years ended February 29, 2020 and February 28, 2019.

See Note 12 to the Financial Statements attached in Appendix B to the Official Statement.

Transfer Agreement

General. The Authority began operating the Project Works pursuant to the terms of the Original Transfer Agreement in 1998. The Authority currently operates certain CVP facilities, which includes the Jones Pumping Plant, under the Transfer Agreement, which superseded the Original Transfer Agreement on January 14, 2020. The Transfer Agreement will remain in effect for thirty-five (35) years from January 14, 2020; provided, that the Transfer Agreement is not terminated at an earlier date as described below.

Operation and Maintenance of Project Works. Pursuant to the Transfer Agreement, the Secretary of the United States Department of the Interior (the “Contracting Officer”) has transferred, and the Authority has accepted and assumed the care, OM&R of the Project Works. Title to the Project Works will remain in the name of the United States, unless otherwise provided by the Congress of the United States. The Authority, without expense to the United States, will care for, OM&R the Project Works in full compliance with the terms of the Transfer Agreement and in such manner that the Project Works remain in good and efficient condition, subject to exercise of discretion to fund and carry out Capital Improvements, as described in the Transfer Agreement.

Necessary repairs of the Project Works are required by the Transfer Agreement to be made promptly by the Authority. In case of unusual conditions or serious deficiencies in the OM&R of the Project Works threatening or causing interruption of water service, the Contracting Officer may issue to the Authority a special written notice of those necessary repairs. Except in the case of an emergency, the Authority will be given sixty (60) days to either make the necessary repairs or submit a plan for accomplishing the repairs acceptable to the Contracting Officer. In the case of an emergency, or if the Authority fails to either make the necessary repairs or submit a plan for accomplishing the repairs acceptable to the Contracting Officer within sixty (60) days of receipt of the notice, the Contracting Officer may cause repairs to be made by the Authority as directed by the Contracting Officer.

In the event the Authority is found to be operating the Project Works or any part thereof in violation of the Transfer Agreement or the Authority is found to be failing any financial commitments or other commitments to the United States under the terms and conditions of the Transfer Agreement, then upon the election of the Contracting Officer, the United States may take over from the Authority the care, OM&R of the Project Works by giving written notice to the Authority of such an election and the effective date thereof. Thereafter, during the period of operation by the United States, upon notification by the Contracting Officer the Authority will pay to the United States, annually in advance, the cost of the OM&R of the Project Works as determined by the Contracting Officer. Following written notification from the Contracting Officer the care, OM&R of the Project Works may be transferred back to the Authority.

Performance Work Statement. The Authority is required by the Transfer Agreement to maintain the Project Works in such a manner that the Project Works shall remain in good and efficient condition for the storage, diversion and carriage of water. The Authority is required to perform the OM&R of the Project Works consistent with the guidelines provided by existing Designer’s Operating Criteria, standard operation procedures (SOPs) and/or manufacturer’s technical manuals for the Project Works, in accordance with such sound engineering practices as have been or may be developed for the Project Works, and in accordance with applicable Federal, State and local environmental laws. Deviations from or changes to these standards must be approved by the Contracting Officer.

Delivery of Water by the Authority. The Authority is required under the Transfer Agreement to convey and distribute water in and from the Project Works in accordance with the directives of the Contracting Officer so that the Contracting Officer can satisfy all valid water delivery obligations of the United States from the Project Works, including without limitation all water delivery obligations of the United States under Water Delivery Contracts and for the delivery of Other Water (defined in the Transfer Agreement). The Authority shall deliver water to each Water Delivery Contractor or Party Entitled to Utilize or Receive Other Water is entitled thereto from the Project Works through turnouts or such temporary diversion facilities as are specified

in the then-existing Water Delivery Contracts or other arrangements or agreements relating to Other Water specifying such turnouts and delivery points, or as may be agreed to by such Water Delivery Contractor(s) or Party Entitled to Utilize or Receive Other Water, the Authority, and the Contracting Officer.

OM&R Rate Setting and Termination of Water Deliveries. The details of the Authority's rate setting authorities and limitations under the Transfer Agreement are described under the caption "-OM&R Rate Setting."

Emergency Reserve Fund. Upon transfer of the OM&R of the Project Works under the Transfer Agreement, the Authority is required to accumulate and maintain a minimum reserve fund or demonstrate to the satisfaction of the Contracting Officer that other funds are available for use as an emergency reserve fund. The Authority is required to establish and maintain that emergency reserve fund to meet costs incurred during periods of special stress caused by damaging droughts, storms, earthquakes, floods, or other emergency threatening or causing interruption of water service. A minimum reserve fund account balance will be maintained to finance (1) OM&R costs; (2) cost associated with addressing conditions which threaten or cause interruption of water service; (3) unforeseen or extraordinary OM&R costs; and (4) costs associated with addressing conditions which threaten the safety or integrity of the Project Works. There is currently \$1,835,000 on deposit in the emergency reserve fund, which is funded at the maximum amount required under the Transfer Agreement.

Contingent on Appropriation or Allotment of Funds. The expenditure or advance of any money or the performance of any obligation of the United States under the Transfer Agreement shall be contingent upon appropriation or allotment of funds. Absence of appropriation or allotment of funds shall not relieve the Authority from any obligations under the Transfer Agreement. No liability shall accrue to the United States in case funds are not appropriated or allotted.

Modification. The Authority and Reclamation reserve the right to propose modifications to the Transfer Agreement at any time while it is in effect. If either the Authority or Reclamation proposes any such modifications, the Authority and Reclamation shall promptly attempt to negotiate in good faith an amendatory agreement to accommodate the proposed modifications.

Termination of Transfer Agreement. The Contracting Officer may terminate the Transfer Agreement at any time before the expiration of its term whenever the Contracting Officer determines that the Authority is in substantial violation of the Agreement as provided in the Transfer Agreement. The Authority may at any time, upon giving twelve (12) months written notice, terminate the Transfer Agreement; provided, that such termination shall not relieve the Authority of any of its duties, liabilities or obligations accruing from the effective date of the Transfer Agreement to the effective date of such termination, except insofar as the Authority lacks funding to perform such obligations due to a failure by the United States to meet any of its obligations under the Transfer Agreement. See "SECURITY FOR THE BONDS—Termination of Transfer Agreement."

Upon any termination of the Transfer Agreement, the United States will take over from the Authority the care, OM&R of the Project Works and the Authority shall transfer to the United States (1) title to all tools, vehicles, supplies, and equipment transferred pursuant to the Original Transfer Agreement (to the extent still on hand) or purchased by the Authority for the purposes of the Transfer Agreement, and (2) any funds in its possession which were collected for, or allocated to, the OM&R of the Project Works for the then-current Fiscal Year which are in excess of the obligations of the Authority for the OM&R of the Project Works. All other funds and reserves in the Authority's possession, including without limitation all other funds collected for, or allocated to, the OM&R of the Project Works and the emergency reserves fund described below shall be retained or distributed by the Authority in accordance with the direction of the Authority's board of directors.

See the caption "SECURITY FOR THE BONDS—Termination of Transfer Agreement" for a description of certain Authority covenants set forth in the Indenture regarding termination of the Transfer

Agreement by the Authority or Reclamation. A copy of the Transfer Agreement is attached to the Official Statement as Appendix E. The description of the Transfer Agreement herein is qualified in the entirety by the Transfer Agreement and potential investors are advised to review the Transfer Agreement in Appendix E hereto.

Friant MOU

The Authority and FWUA entered into the Original Friant MOU, effective March 1, 1998, with respect to OM&R of the Project Works. The Authority and FWUA amended and restated the Original Friant MOU by entering into the Friant MOU as of September 1, 2002. On June 30, 2004, the FWA succeeded to the rights and obligations of FWUA under the Friant MOU.

The Friant MOU was entered into to establish the standard for OM&R of the Project Works by the Authority, and to set forth certain assurances relating thereto and for the following purposes to establish the methodology for allocating and recovering OM&R Costs; to establish the process for remittance by the FWA to the Authority of payments collected from the Friant Division Contractors for OM&R Costs allocable to the Friant Division Contractors under the Friant MOU; to establish the process of resolution of any disputes that may arise in the implementation of the Friant MOU, among other purposes.

The Friant MOU requires that OM&R Program comply with the standards set forth in the Transfer Agreement; provided that the OM&R Costs shall not exceed those which are reasonably necessary to the OM&R of the Project Works in accordance with such standards. The Authority and FWA mutually acknowledged that there were items of deferred maintenance which must be performed on the Project Works in order for the OM&R Program to meet the applicable standards, and nothing in the prior sentence was intended to preclude the performance of those deferred maintenance items or the equitable development of reserves in accordance with the Friant MOU which will permit the OM&R of the Project Works in the future in accordance with the Transfer Agreement.

The OM&R Costs in which the FWA shares are allocated to OM&R activities in accordance with (i) generally accepted accounting principles and (ii) the SLDMWA Cost Plan, which shall be applied consistently for all OM&R activities of the Authority. To the extent the allocation of the costs for specific acquisitions or OM&R activities is not addressed by the SLDMWA Cost Plan, such costs shall be allocated in a manner consistent with the principles contained in the SLDMWA Cost Plan; provided, that if the actual use of such acquired property of facilities use proves to be materially different from that anticipated, appropriate adjustments shall be made in order to more accurately reflect an appropriate allocation of such costs.

Reserves for extraordinary OM&R, capital replacement, emergencies and other appropriate purposes shall be established in accordance with the Transfer Agreement and the SLDMWA Cost Plan. Only items meeting the criteria set forth in the Friant MOU constitute reserves in which the FWA must participate for purposes of the Friant MOU.

The Friant MOU provides that the FWA shall, as part of the FWA cost recovery methodology developed under the Transfer Agreement, provide for the recovery of OM&R Costs allocated to Settlement Contractors under the SLDMWA Cost Plan, which OM&R Costs are to be paid by Friant Division Contractors. To the extent Reclamation conferred upon the FWA the legal authority to do so, the FWA shall allocate such costs among, and collect such costs from, the Friant Division Contractors, and shall promptly remit such costs to the Authority.

The Friant MOU provides that in the event of any non-payment or delinquent payment to the FWA by a Friant Division Contractor of amounts to be collected by the Authority and remitted to the Authority under this MOU, the FWA shall diligently exercise its available remedies, (whether under the Friant Transfer Agreement, or under California law), in a manner the FWA reasonably believes is most likely to result in the prompt collection and remittance of such amounts to the Authority. If the FWA is unable to collect and remit

any amount owing from the delinquent Friant Division Contractor before the last day of the month before the scheduled month of delivery (whether from such Friant Division Contractor or from the Authority via offset or direct payment), Reclamation shall be deemed to have directed the Authority to deliver or convey Settlement Water despite such delinquency under the Transfer Agreement, and the United States shall be liable to the Authority for the costs to be recovered on account of such Settlement Water under the Friant MOU; provided, that the FWA shall also continue to diligently exercise its available remedies in the manner the Authority reasonably believes is most likely to result in the prompt collection and remittance of such amounts to the Authority. Nothing contained in the Friant MOU authorizes the Authority to terminate Settlement Contractor deliveries in the event of delinquencies in payment by the Friant Division Contractors.

A copy of the Friant MOU is attached to the Official Statement as Appendix F. The description of the Friant MOU set forth herein is qualified in the entirety by the Friant MOU and potential investors are advised to review the Friant MOU in Appendix F to the Official Statement.

OM&R Rate Setting

Rate Setting With Respect to Water Delivery Contractors and Parties Entitled to Utilize or Receive Other Water. Under the Transfer Agreement, the Authority is responsible for directly funding the OM&R of the Project Works transferred thereunder. Pursuant to the Transfer Agreement, the United States delegated to the Authority all required authority under statutes, contracts, regulations, and policies to collect for OM&R of the Project Works.

Not later than ninety (90) days before the start of each Fiscal Year, the Authority must submit to each Water Delivery Contractor, and all Parties Entitled to Utilize or Receive Other Water (as such terms are defined in the Transfer Agreement attached hereto as Appendix E), the proposed budget for the next Fiscal Year for all activities of the Authority to be carried out under the Transfer Agreement. The Authority is required by the Transfer Agreement to afford each Water Delivery Contractor and all Parties Entitled to Utilize or Receive Other Water the opportunity to submit comments on such proposed budget by sixty (60) days before commencement of the Fiscal Year. Except as otherwise provided in the Friant MOU, any dispute(s) regarding the proposed budget shall be resolved in the manner described in the dispute resolution article of the Transfer Agreement. The Authority must submit the final budget for each Fiscal Year to the Contracting Officer (as such terms are defined in the Transfer Agreement attached hereto as Appendix E) prior to the start of that Fiscal Year.

Pursuant to the Transfer Agreement, the Authority's cost recovery methodology must (i) provide for the equitable allocation of the cost to be recovered among Water Delivery Contractors with an obligation to pay for water delivered through the Project Works and all Parties Entitled to Utilize or Receive Other Water with an obligation to pay therefor, including without limitation the Contracting Officer; (ii) provide for the equitable allocation of the cost to be paid to the Authority pursuant to the Friant MOU; and (iii) clearly set forth the manner in which all such cost shall be collected by the Authority, including deadlines for payments and/or deposits required of Water Delivery Contractors and all Parties Entitled to Utilize or Receive Other Water under the methodology.

Such methodology must recover costs in lieu of the conveyance OM&R cost component, the conveyance pumping OM&R cost component and the San Luis Drain OM&R cost component heretofore calculated by the United States pursuant to its rate setting policies. In addition to OM&R costs for directly funding the OM&R of the Project Works, such methodology must recover (i) power costs for conveyance pumping incurred by the United States for the production or transmission of such power; and (ii) amounts due from the United States to the State of California, Department of Water Resources (hereinafter referred to as "DWR"), for the Federal share of facilities designated "joint use facilities" and "Federal-only facilities" pursuant to that certain agreement dated December 30, 1961, and Supplement No. 1 to said Agreement, dated May 26, 1971, between the United States and the State of California relating to the San Luis Unit (Contract No. 14-06-200-9755), as amended, that are payable by the Water Delivery Contractors, Parties Entitled to

Utilize or Receive Other Water, and contractors in the Friant Division pursuant to the Friant MOU, in connection with the delivery or conveyance of water through the Project Works.

Notwithstanding the foregoing, the Authority and FWA entered into the FWA JPP Funding Agreement in November 2020 pursuant to which FWA will make payments to the Authority for the rehabilitation of the fourth and fifth units at the Jones Pumping Plant. As a result, the Authority will not charge any principal or interest on the Bonds to FWA. See “JONES PUMPING PLANT PROJECT.”

The Authority’s cost recovery methodology and any subsequent amendments thereto must be approved by the Authority and provided to all parties with payment obligations by December 1 of each year, or not less than sixty (60) days prior to the effective date of any amendment thereof. Except as otherwise specified in the Friant MOU, any dispute(s) regarding the Authority’s cost recovery methodology shall be resolved in the manner described in the dispute resolution article of the Transfer Agreement. Any proposed amendments to the initial cost recovery methodology has to be submitted to the Contracting Officer for review and comment concurrent with the dissemination to all parties with payment obligations.

That Authority is not obligated to provide funding from non-Federal sources for the cost of delivering water to Water Delivery Contractors or Parties Entitled to Utilize or Receive Other Water who do not pay the Authority in full for the OM&R of the Project Works. In the event any Water Delivery Contract or obligation to deliver Other Water provides for or results in the payment of less than all of the costs to be recovered by the Authority as described above (a “deficiency”), whether resulting from the inadequacy of contract provisions between the Water Delivery Contractor or Party Entitled to Utilize or Receive Other Water and the United States to cover the Authority’s OM&R costs, delinquency in payment of amounts due as described below, or otherwise, the United States shall pay to the Authority the amount of any such delinquency. Except as otherwise described in this paragraph, payment for such deficiencies shall be made through a separate service contract or such other appropriate legal instrument as may be entered into by the Authority and the United States from time-to-time, by the terms of which the United States agrees to pay or provide funding to the Authority for water delivery services provided under the Transfer Agreement to the United States on behalf of the parties incurring the deficiencies. The solicitation and award of any service contract shall be made pursuant to the applicable Federal Acquisition Regulations, and the Department of the Interior and Bureau of Reclamation Acquisition Regulations. Payments made by the United States to the Authority for such deficiencies shall become the financial obligation of the deficient Water Delivery Contractor or Party Entitled to Utilize or Receive Other Water to the Contracting Officer. If payments for deficiencies as described above are not timely made by the United States in accordance with said service contract or other appropriate legal instrument, the Authority may exercise its rights described in the following paragraph.

Subject to the provisions described in the prior paragraph, in the event any amount due to or to be collected by the Authority from a Water Delivery Contractor or Party Entitled to Utilize or Receive Other Water pursuant to the provisions of the Transfer Agreement described above is not paid when due (a “delinquency”), the Authority is authorized by the United States to discontinue delivery and conveyance of water to or for such Water Delivery Contractor or Party Entitled to Utilize or Receive Other Water until such time as the delinquency is cured. The Authority shall give the Contracting Officer and the delinquent party written notice of the delinquency and of the date deliveries will be terminated if the delinquency is not cured. The Contracting Officer and the Authority shall agree in writing on the appropriate timing and length of such notice period. In the event, and only in the event, the Contracting Officer directs the Authority in writing to deliver or convey water to or for a delinquent party, the United States shall be liable to the Authority for the costs to be recovered from such party as described above, and the Authority shall have no obligation to collect any amounts associated with such water from the delinquent parties. For purposes described in this paragraph, in the event FWA is unable to collect and remit to the Authority amounts to be paid by the Friant Division Contractors pursuant to the Friant MOU, following the notice described above, the Contracting Officer shall be deemed to have directed the Authority to deliver or convey Settlement Water despite a delinquency, and the United States shall be liable to the Authority for the costs to be recovered on account of such Settlement Water under the Transfer Agreement. The United States shall pay the costs associated with any such water on the

same terms and conditions as would otherwise apply to the applicable Water Delivery Contractor or other party. Such costs shall be reimbursed to the Authority as set forth above.

The Authority has never experienced a delinquency in payment that resulted in the Authority seeking to discontinue delivery or conveyance of water to or for a Water Delivery Contractor or Party Entitled to Utilize or Receive Other Water. No agreement in writing exists between the United States and the Authority with respect to the appropriate timing and length of any notice required under the Transfer Agreement prior to discontinuance of delivery or conveyance of water to a Water Delivery Contractor or Party Entitled to Utilize or Receive Other Water. As a result the Authority cannot predict whether a Water Delivery Contractor or Party Entitled to Utilize or Receive Other Water will challenge any such notice or discontinuance of delivery or conveyance of water under the Transfer Agreement or under the repayment contract, water service contract or a water contract between such contractor and Reclamation. The Authority is unaware of any other public agency operating Reclamation facilities pursuant to a transfer agreement with Reclamation having attempted to exercise similar remedies for a deficiency.

Rate Setting With Respect to FWA. The Authority has entered into the Friant MOU. Pursuant to the Friant MOU, certain OM&R costs described therein will be payable by contractors in the Friant Division of the Project and collected by FWA and paid to the Authority in accordance with the terms of such Friant MOU as it may be amended by the parties thereto. While the Transfer Agreement is in effect, the Authority has agreed to comply with the terms of the Friant MOU, as it may be amended by the parties thereto. See the caption “-Friant MOU.”

Notwithstanding the foregoing, the Authority and FWA entered into the FWA JPP Funding Agreement in November 2020 pursuant to which FWA will make payments to the Authority for the rehabilitation of the fourth and fifth units at the Jones Pumping Plant. As a result, the Authority will not charge any principal or interest on the Bonds to FWA. See “JONES PUMPING PLANT PROJECT.”

Payment/Billing. The Water Delivery Contractors and Parties Entitled to Utilize or Receive Other Water pay for estimated water deliveries in advance. Water Delivery Contractors and Parties Entitled to Utilize or Receive Other Water pay on or before the 15th of each month for the next month’s estimated deliveries, adjusted to reflect actual deliveries for the prior month. The Authority invoices Friant monthly and Friant pays the Authority (on behalf of Settlement Contractors) on or before the 15th of each month in arrears for actual water deliveries to the Settlement Contractors during the prior month.

Fiscal Year 2021 OM&R Rates

The Authority Board approved OM&R rates for Fiscal Year 2021 on February 6, 2020 in accordance with the provisions of the Transfer Agreement and the Friant MOU. OM&R rates vary based on Project Works used by the Authority to deliver or convey water to each contractor. See “-Historic OM&R Rates” set forth below. OM&R rates currently include various components including Authority salaries and related benefits and other Authority operation and maintenance costs, extraordinary operation and maintenance costs, San Luis Joint Use Facilities costs payable to the California Department of Water Resources, and Project Use Energy costs payable by the Authority to Reclamation for power supplied to the CVP (including to the Authority) by the Western Area Power Administration (“WAPA”) and others and transmission and other services related thereto. See “-Management Discussion of Historic OM&R Revenues and Operation and Maintenance Obligation Coverage.”

OM&R rates for Fiscal Year 2021 range from \$18.53 per acre foot for settlement water delivered through the Upper Delta-Mendota Canal to Settlement Contractors to \$71.99 for water delivered through the San Luis Canal below Dos Amigos Pumping Plant. Rates vary based on the number of facilities used to convey the water.

Set forth below are Fiscal Year 2021 OM&R Rates applicable to the three entities which paid the largest amounts of OM&R Revenues in Fiscal Year 2020.

SAN LUIS & DELTA-MENDOTA WATER AUTHORITY
Fiscal Year 2021 OM&R Rates

<i>Entity</i>	<i>OM&R Rate⁽¹⁾</i>
Westlands Water District	\$71.99
Friant Water Authority ⁽²⁾	23.29
Reclamation on behalf of various wildlife refuges ⁽³⁾	27.45

⁽¹⁾ Per acre-foot. Westlands Water District, FWA, and Reclamation each have multiple OM&R Rates, certain of which are less than shown. Rates shown apply to the majority of water delivered.

⁽²⁾ Paid by FWA in accordance with the Friant MOU with respect to settlement water delivered by the Authority to the Settlement Contractors.

⁽³⁾ Paid by Reclamation in accordance with the Transfer Agreement.

Source: Authority

Historic OM&R Rates

Set forth below are representative OM&R rates per acre foot of water delivered by the Authority for the current and four prior Fiscal Years. OM&R rates vary significantly from year-to-year for a variety of reasons, including but not limited to variances in water deliveries. See the caption “—Historic Water Deliveries,” below.

SAN LUIS & DELTA-MENDOTA WATER AUTHORITY
Historic OM&R Rates⁽¹⁾
(Fiscal Year)

	<i>2021</i>	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>
Settlement Contractors					
Upper Delta-Mendota Canal	\$ 18.53	\$ 15.18	\$ 13.01	\$ 11.16	\$ 16.42
Lower Delta-Mendota Canal/Mendota Pool	23.29	17.73	15.62	13.49	18.86
Contractors Other Than Settlement Contractors					
Upper Delta-Mendota Canal	22.69	17.56	15.96	12.35	17.15
Lower Delta-Mendota Canal/Mendota Pool	27.45	20.11	18.57	14.68	19.59
San Felipe	27.57	20.26	20.39	14.15	23.71
San Luis Canal Above Dos Amigos Pumping Plant	55.60	29.76	35.50	21.12	55.44
San Luis Canal Below Dos Amigos Pumping Plant	71.99	37.91	44.08	25.71	73.34
San Luis Drain	.34	0.17	0.16	0.08	0.40

⁽¹⁾ Per acre-foot.

Source: Authority

Historic Water Deliveries

Set forth below are historic water deliveries by the Authority in acre feet for the last five Fiscal Years, highlighting the three recipients that received the largest quantity of water deliveries during this period. Water deliveries vary significantly from year-to-year based on a number of factors, including CVP water allocations by Reclamation, CVP Contract water transfers, and non-CVP water acquired by Water Delivery Contractors and others. Such variation can be material and impact the OM&R deliveries set forth below.

SAN LUIS & DELTA-MENDOTA WATER AUTHORITY
Historic Water Deliveries⁽¹⁾
(Fiscal Year)

	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>
Westlands Water District ⁽²⁾	919,307	657,349	1,068,688	202,303	152,954
Settlement Contractors ⁽³⁾	771,582	738,567	809,921	688,985	435,533
Reclamation on behalf of various wildlife refuges ⁽⁴⁾	320,373	327,943	399,328	272,072	216,234
Other	471,172	389,016	551,600	248,648	218,228
Total	2,482,434	2,112,875	2,829,537	1,412,008	1,022,949

⁽¹⁾ By acre-foot.

⁽²⁾ CVP allocation to Westlands Water District was 75% in Fiscal Year 2020, 50% in Fiscal Year 2019, 100% in Fiscal Year 2018, 5% in Fiscal Year 2017 and 0% in Fiscal Year 2016.

⁽³⁾ Paid by FWA in accordance with the Friant MOU with respect to settlement water delivered by the Authority to the Settlement Contractors. CVP water allocation to Settlement Contractors was 100% in each of Fiscal Years 2016 through 2020.

⁽⁴⁾ Paid by Reclamation in accordance with the Transfer Agreement. CVP water allocation to the wildlife refuges was 100% in each of Fiscal Years 2016 through 2020.

Source: Authority

Historic OM&R Revenues

Set forth below are OM&R Revenues of the Authority for the last five Fiscal Years, highlighting the three entities that paid the largest amounts of OM&R Revenues during this period.

SAN LUIS & DELTA-MENDOTA WATER AUTHORITY
Historic OM&R Revenues
(Fiscal Year)

	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>
Westlands Water District ⁽¹⁾	\$34,478,026	\$28,784,457	\$26,547,809	\$13,238,360	\$11,758,837
Friant Water Authority ⁽²⁾	11,503,184	11,502,714	7,512,620	12,442,163	10,372,184
Reclamation on behalf of various wildlife refuges ⁽³⁾	6,689,490	4,592,785	3,520,026	5,697,514	6,574,437
Other	10,968,765	9,710,238	8,602,698	8,239,868	9,331,102
Total	63,639,465	54,590,194	46,183,153	39,617,905	38,036,560

⁽¹⁾ CVP allocation to Westlands Water District was 75% in Fiscal Year 2020, 50% in Fiscal Year 2019, 100% in Fiscal Year 2018, 5% in Fiscal Year 2017 and 0% in Fiscal Year 2016.

⁽²⁾ Paid by FWA in accordance with the Friant MOU with respect to settlement water delivered by the Authority to the Settlement Contractors. CVP water allocation to Settlement Contractors was 100% in each of Fiscal Years 2016 through 2020.

⁽³⁾ Paid by Reclamation in accordance with the Transfer Agreement. CVP water allocation to the wildlife refuges was 100% in each of Fiscal Years 2016 through 2020.

Source: Authority

Largest OM&R Rate Payers

Set forth below are the top 10 payers of OM&R rates by OM&R Revenues paid to the Authority in Fiscal Year 2020. OM&R rates vary significantly from year-to-year for a variety of reasons, including but not limited to variances in water deliveries.

SAN LUIS & DELTA-MENDOTA WATER AUTHORITY
Largest OM&R Rate Payers

<i>Contractor</i>	<i>Total OM&R Revenues⁽³⁾</i>	<i>Total Acre-Feet</i>
Westlands Water District	\$ 34,478,026	919,307
Friant Water Authority ⁽¹⁾	11,503,184	771,582
Reclamation on behalf of various wildlife refuge ⁽²⁾	6,689,490	320,373
San Luis Water District	2,897,676	89,450
Santa Clara Valley Water District	2,514,502	127,459
Panoche Water District	1,472,091	45,734
Del Puerto Water District	1,167,908	68,691
James Irrigation District	522,538	25,984
San Benito County Water District	451,323	22,599
Pacheco Water District	350,811	10,447

⁽¹⁾ Pursuant to the Friant MOU, FWA pays OM&R rates with respect to settlement water delivered by the Authority to the Settlement Contractors.

⁽²⁾ Pursuant to the Transfer Agreement, paid by Reclamation.

⁽³⁾ Rounded to the nearest dollar.

Source: Authority

Projected OM&R Revenues

Water deliveries by the Authority vary significantly from year to year for a number of reasons, including CVP water allocations by Reclamation, CVP Contract water transfers, and non-CVP water acquired by Water Delivery Contractors and others. See the caption “INVESTMENT CONSIDERATIONS.” The Authority does not project OM&R rates or water deliveries for years beyond the current Fiscal Year. The Authority, does, however, project total OM&R Costs which are expected to be paid from OM&R rates on water deliveries in such future Fiscal Years. See the caption “—OM&R Rate Setting.” Set forth below are the projected OM&R Revenues for the current and next four Fiscal Years applicable to the three entities which paid the largest amounts of OM&R Revenues during Fiscal Years 2016 through 2020.

SAN LUIS & DELTA-MENDOTA WATER AUTHORITY
Projected OM&R Revenues⁽¹⁾
(Fiscal Year)

	<i>2021</i>	<i>2022</i>	<i>2023⁽²⁾</i>	<i>2024</i>	<i>2025</i>
Westlands Water District	\$ 17,768,818	\$ 18,497,952	\$ 18,439,146	\$ 19,272,882	\$ 19,417,975
Friant Water Authority ⁽³⁾	24,202,174	25,006,894	24,926,017	26,062,692	26,259,594
Reclamation on behalf of Various Wildlife Refuges ⁽⁴⁾	9,380,086	9,764,993	9,733,949	10,174,075	10,250,669
Other	<u>11,975,064</u>	<u>12,654,858</u>	<u>12,616,007</u>	<u>13,176,813</u>	<u>13,275,321</u>
Total	\$ 63,326,142	\$ 65,924,697	\$ 65,715,119	\$ 68,686,462	\$ 69,203,560

⁽¹⁾ Allocation of OM&R charges among Westlands Water District, FWA, Reclamation on behalf of various wildlife refuges, and other contractors is based on the five-year historical average percentage of the total historic OM&R Revenue. See “—Historic OM&R Revenues.”

⁽²⁾ Decline in Fiscal Year 2023 reflects a reduction in projected extraordinary operation and maintenance costs. See the caption “—Projected OM&R Revenues and Operation and Maintenance Obligations.”

⁽³⁾ Pursuant to the Friant MOU with respect to settlement water delivered to the Settlement Contractors. Pursuant to the FWA JPP Funding Agreement, FWA will pay a portion of the cost of the Project. See the caption “JONES PUMPING PLANT PROJECT.”

⁽⁴⁾ Pursuant to the Transfer Agreement, paid by Reclamation.

Source: Authority.

See the captions “—Future Extraordinary Operation and Maintenance Costs,” “LITIGATION,” and “Investment Considerations—Regulatory Constraints on CVP Operation” for information regarding certain capital expenditures, outstanding litigation, and regulatory matters affecting the Authority.

Financial Information

Audited Financial Statements. A copy of the most recent financial statements of the Authority (the “Financial Statements”) audited by Richardson & Company, LLP, Fresno, California (the “Auditor”) and the accompanying Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in accordance with Government Auditing Standards dated November 2, 2020 are included as Appendix B hereto.

The Financial Statements include a statement that the Auditor conducted an audit of the Financial Statements in accordance with auditing standards generally accepted in the United States of America and government auditing standards issued by the Comptroller General of the United States. The Auditor opines that the basic Financial Statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of February 29, 2020 and February 28, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with generally accepted accounting principles (“GAAP”) in the United States of America as well as accounting systems prescribed by the State Controller’s Office and State regulations governing special districts.

The Financial Statements include certain notes to the financial statements which may not be fully described below under the subheading “Significant Accounting Policies” or in the footnotes to the Tables. Such notes constitute an integral part of the audited financial statements.

The Auditor’s consent to inclusion of the Financial Statements in the Official Statement was not requested and no procedures were performed.

The Auditor has not been engaged to perform and has not performed, since the date of the Financial Statements, any procedures on the Financial Statements. The Auditor also has not performed any procedures relating to this Official Statement.

Significant Accounting Policies. The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflow of resources, liabilities, deferred inflow of resources, net position, revenues and expenses, as appropriate. The Authority’s resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Authority accounts for its activities in Enterprise Funds. These funds are included in the Financial Statements and have been grouped into fund types described as Proprietary Funds.

The Financial Statements were prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The Authority accounts for moneys received and expenses paid in accordance with GAAP. In certain cases, GAAP requires or permits moneys collected in one Fiscal Year to be recognized as revenue in a subsequent Fiscal Year and requires or permits expenses paid or incurred in one Fiscal Year to be recognized in a subsequent Fiscal Year. See APPENDIX B—“SAN LUIS & DELTA-MENDOTA WATER AUTHORITY FINANCIAL STATEMENTS FOR FISCAL YEAR ENDING FEBRUARY 29, 2020 AND INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROLS AND COMPLIANCE.” Except as otherwise expressly noted herein, all financial information derived from the Authority’s audited financial statements reflect the application of GAAP.

See the Financial Statements attached hereto as Appendix B for a discussion of other significant accounting policies of the Authority.

For financial accounting purposes in Fiscal Years 2016 through 2019, and in accordance with GAAP, the Authority excluded from OM&R Revenues amounts collected under the Transfer Agreement on behalf of Reclamation for payment by Reclamation to DWR for the cost of operation by DWR of certain joint use facilities used by the Authority to convey or deliver water. Such amounts were treated by the Authority as pass through payments to Reclamation (for payment by Reclamation to DWR) and forwarded to Reclamation when invoiced by Reclamation on a quarterly basis. Until forwarded to Reclamation by the Authority, such amounts were deposited into and remain in the OM&R Revenue Fund. Such amounts are OM&R Revenues for purposes of the OM&R Master Resolution and the Indenture. In Fiscal Year 2020 the amount of such OM&R Revenues collected as pass through to Reclamation for payment to DWR was approximately \$12,286,904.

For financial accounting purposes in Fiscal Years 2016 through 2019, and in accordance with GAAP, the Authority excluded from OM&R Revenues amounts collected under the Transfer Agreement to pay Jones Pumping Plant, Dos Amigos and other power costs incurred by the Authority in connection with the conveyance or delivery of water. Such amounts, generally incurred and payable to Reclamation (for payment by Reclamation to WAPA, referred to herein as the “Power Provider”), were treated by the Authority as pass through payments to Reclamation (for payment by Reclamation to such Power Provider) and forwarded to such Power Providers when invoiced by such Power Provider on a monthly basis. Until forwarded to Reclamation by the Authority, such amounts were deposited into and remain in the OM&R Revenue Fund. Such amounts are OM&R Revenues for purposes of the OM&R Master Resolution and the Indenture. In Fiscal Year 2020 the amount of such OM&R Revenues collected as pass through to Reclamation for payment to the Power Provider was approximately \$24,260,793.

Unearned Revenue

The Authority’s Financial Statements for the Fiscal Years ending February 29, 2020 and February 28, 2019 reflected unearned revenue of \$15,779,239 and \$16,078,806, respectively. Unearned revenue arises when resources are received by the Authority prior to the incurrence of qualifying OM&R costs. The Authority’s unearned revenues represent water conveyance fees, Project Use Energy fees, and San Luis Joint Use Facility fees for which the Authority had not incurred qualifying expenses as of the end of the respective Fiscal Year. This occurs because the Authority charges Water Delivery Contractors, Parties Entitled to Utilize or Receive Other Water, and FWA on an estimated basis in advance of incurring applicable expenses. In subsequent periods, when both revenue recognition criteria are met, or when the Authority has legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and the revenue is recognized.

Historic OM&R Revenues and Operation and Maintenance Obligation Coverage

The following table sets forth a summary of OM&R Revenues and coverage Operation and Maintenance Obligation of the Authority for the last five Fiscal Years. The information set forth in the following table has been derived by the Authority from its audited financial statements for such Fiscal Years, but excludes certain non-cash items and certain other adjustments. The following summary for the Fiscal Year ended the last day of February for the years indicated is qualified in its entirety by reference to such statements for such years, including the notes thereto. The Auditor has not reviewed the information set forth in the following table.

SAN LUIS & DELTA-MENDOTA WATER AUTHORITY
Historic OM&R Revenues and Operation and Maintenance Obligations Coverage
(Fiscal Year)⁽¹⁾

	2016	2017	2018	2019	2020
OM&R Revenues:					
OM&R Revenues ⁽²⁾	\$ 38,036,560	\$ 39,617,905	\$ 46,183,153	\$ 54,590,194	\$ 63,639,465
Investment Income ⁽³⁾	180,005	224,884	205,273	841,843	1,330,855
Other Revenue ⁽⁴⁾	299,808	149,300	302,095	61,782	71,370
Total OM&R Revenues	<u>\$ 38,516,373</u>	<u>\$ 39,992,089</u>	<u>\$ 46,690,521</u>	<u>\$ 55,493,819</u>	<u>\$ 65,041,690</u>
Operation and Maintenance Obligations:					
2018 Reclamation Repayment Contract	\$ --	\$ --	\$ --	\$ --	\$ 400,128
Total Operation & Maintenance Obligations	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 400,128</u>
Coverage Ratio⁽⁵⁾	N/A	N/A	N/A	N/A	162.71x
OM&R Revenues Remaining For Operation and Maintenance Costs	\$ 38,516,373	\$ 39,992,089	\$ 46,690,521	\$ 55,493,819	\$ 64,641,562
Operation and Maintenance Costs					
Salaries and Related Benefits	\$ 8,554,859	\$ 9,232,271	\$ 10,123,078	\$ 10,404,846	\$ 11,561,713
San Luis Joint Use Facilities ⁽⁶⁾	11,410,004	10,034,068	11,261,807	11,218,361	12,286,904
Project Use Energy Costs ⁽⁷⁾	11,248,780	17,697,239	23,427,514	25,480,954	24,260,793
Extraordinary Operation and Maintenance Costs ⁽⁸⁾	1,055,328	1,880,491	2,641,506	1,217,917	7,297,950
Other Operation and Maintenance Costs ⁽⁹⁾	1,489,573	2,868,566	3,675,278	3,889,964	3,841,486
Total Operation and Maintenance Costs	<u>\$ 33,758,544</u>	<u>\$ 41,712,635</u>	<u>\$ 51,129,183</u>	<u>\$ 52,212,042</u>	<u>\$ 59,248,846</u>
OM&R Revenues Remaining For Other Purposes Permitted Under The Transfer Agreement⁽¹⁰⁾	\$ 4,757,829	\$ (1,720,546)	\$ (4,438,662)	\$ 3,281,777	\$ 5,392,716

(1) Reflects cash basis accounting.

(2) Includes OM&R Revenues collected to pay Reclamation for amounts owed to DWR and WAPA. See the caption “—OM&R Rate Setting.” Such amounts had been excluded from OM&R Revenues in the Authority financial statements for Fiscal Years 2016 through 2019.

(3) Interest earnings on OM&R Revenues and OM&R-related reserves only. Increases in investment earnings from Fiscal Year 2016 to Fiscal Year 2020 reflects increased interest rates on investments and investment earnings on amounts collected for Project Use Energy costs but not yet billed by Reclamation for payment to DWR, as a result of delayed billings by DWR.

(4) Includes JPIA retrospective premium adjustments and refunds, sales of surplus vehicles, and proceeds from metal recycling.

(5) Equals Total OM&R Revenues divided by Total Operation and Maintenance Obligations.

(6) Includes amounts collected by the Authority on behalf of Reclamation for payment to DWR with respect to its operation and maintenance of the San Luis Canal and certain related facilities. Includes DWR Intertie conveyance costs.

(7) Includes amounts collected by the Authority and paid to the Reclamation for power, transmission and other related services provided by the WAPA and other service providers. Increases beginning in Fiscal Year 2018 reflect the commencement of charges imposed by California Independent System Operator (also known as “California ISO”) (which replaced a previous PG&E contract that terminated), causing a significant increase in Project Use Energy cost.

(8) Increase in Extraordinary Operation and Maintenance Costs in Fiscal Year 2020 reflects the cost of rehabilitation of the Unit 2 motor. See the caption “JONES PUMPING PLANT” in the Official Statement.

(9) Includes professional services, memberships, parts and materials, rents/leases, office expense, travel and continuing education, insurance, utilities and communication expenses.

(10) Operation and Maintenance Costs in excess of OM&R Revenues in Fiscal Years 2017 and 2018 were paid by the Authority from unearned revenues. See the caption “—Unearned Revenue” for a discussion of the Authority’s receipt of amounts collected for Intertie conveyance costs, Project Use Energy costs, and extraordinary operation and maintenance costs.

Source: Authority.

Management Discussion of Historic OM&R Revenues and Operation and Maintenance Obligation Coverage

The Authority’s OM&R Revenues were less than total Operation and Maintenance Costs for Fiscal Years 2017 and 2018 by \$1,720,546 and \$4,438,662, respectively, primarily resulting from unexpected Project Use Energy costs, including the initial imposition of Cal ISO charges as a result of the termination of the

previous PG&E contract. The Authority used unearned revenues held by the Authority, including Intertie conveyance costs, Project Use Energy fees, and extraordinary operation and maintenance charges collected in prior fiscal years, to pay the excess expenses in these years, and receives reimbursements from the Water Delivery Contractors, Parties Entitled to Utilize or Receive Other Water, and FWA through a reconciliation conducted in subsequent fiscal years. Total unearned revenue was \$15,779,239 for Fiscal Year 2020, \$16,078,806 for Fiscal Year 2019, \$8,972,003 for Fiscal Year 2018, \$2,414,519 for Fiscal Year 2017, and \$2,577,628 for Fiscal Year 2016. See “—Unearned Revenue.”

Pursuant to the Transfer Agreement, the Authority is obligated to collect amounts billed by the DWR to Reclamation for Reclamation’s 39.9% share of the operation and maintenance costs of the San Luis Canal and certain related facilities. Such San Luis Joint Use Costs vary from year-to-year based on the DWR’s actual costs of operation and maintenance of the San Luis Joint Use Facilities. Such costs do not, however, closely track Authority water deliveries.

Pursuant to the Transfer Agreement, the Authority is obligated to collect amounts incurred by Reclamation for Project Use Power and certain other power transmission and other service providers with respect to the CVP (“Project Use Energy”). The Project Use Energy costs will vary from year-to-year based on a variety of factors including but not limited to power, energy, transmission and other service costs, the amount of water delivered through the CVP, the amount of water delivered by the Authority and other factors. Project Use Energy costs do not necessarily track Authority water deliveries in any given year.

During the year ending February 28, 2017, the Authority determined that it should have recognized certain financing participant payments in the amount of \$630,000, unearned revenue in the amount of \$910,350, and accounts payable in the amount of \$311,491 during Fiscal Year 2017 instead of Fiscal Year 2016, resulting in a prior period adjustment and restatement to reduce the revenues for Fiscal Year 2016 by \$1,851,841. Such restatement did not affect OM&R Revenues.

During the year ending February 28, 2018, the Authority determined that it should have recognized unearned revenue as of February 28, 2017 related to a payment received from Westlands Water District in the amount of \$897,750 for interest on the 2013 Bonds paid on March 1, 2017 and should have offset 2017 revenue received from other DHCCP participants with an expense to Westlands Water District DHCCP in the amount of \$492,003, resulting in a prior period adjustment and restatement to increase the Authority’s net position as of March 1, 2017 by \$1,389,753. Such restatement did not affect OM&R Revenues.

Projected OM&R Revenues and Operation and Maintenance Obligations

Estimated projected operating results (on a cash basis) for the Authority for the current and next four Fiscal Years are set forth below. Certain assumptions have been made by the Authority in the development of the projections. Many of these assumptions are reflected in the footnotes accompanying the projections. While the Authority believes its assumptions are reasonable, there can be no assurance that the assumed conditions will in fact occur. The Authority’s projections may be affected (favorably or unfavorably) by unforeseen future events. Therefore, the results projected below will vary from actual results and such variation may be material.

SAN LUIS & DELTA-MENDOTA WATER AUTHORITY
Projected OM&R Revenues and Operation and Maintenance Obligations Coverage
(Fiscal Year)

	2021	2022	2023	2024	2025
OM&R Revenues:					
OM&R Revenues ⁽¹⁾	\$ 63,326,142	\$ 65,140,297	\$ 64,926,019	\$ 68,315,662	\$ 69,203,560
Investment Income ⁽²⁾	453,230	460,265	458,751	480,145	486,347
Other Revenue ⁽³⁾	<u>61,000</u>	<u>61,000</u>	<u>61,000</u>	<u>61,000</u>	<u>61,000</u>
Total OM&R Revenues	\$ 63,840,372	\$ 65,661,563	\$ 65,445,770	\$ 68,856,807	\$ 69,750,907
Operation and Maintenance Obligations:					
2018 Reclamation Repayment Contract	\$ 414,018	\$ 414,018	\$ 414,018	\$ 414,018	\$ 414,018
2020 Reclamation Repayment Contract ⁽⁴⁾	--	316,129	316,129	652,316	652,316
Bonds ⁽⁵⁾	<u>--</u>	<u>492,966</u>	<u>495,007</u>	<u>492,185</u>	<u>494,079</u>
Total Operation and Maintenance Obligations	\$ 414,018	\$ 1,223,113	\$ 1,225,154	\$ 1,558,518	\$ 1,560,412
Coverage Ratio⁽⁶⁾	154.20	53.68	53.42	44.18	44.70
OM&R Revenues Remaining For Operation and Maintenance Costs	\$ 63,426,354	\$ 64,438,450	\$ 64,220,615	\$ 67,298,289	\$ 68,190,495
Operation and Maintenance Costs					
Salaries and Related Benefits ⁽⁷⁾	\$ 13,085,598	\$ 13,556,513	\$ 14,087,212	\$ 14,633,833	\$ 15,072,848
San Luis Joint Use Facilities ⁽⁸⁾	13,805,000	13,805,000	13,805,000	13,805,000	13,805,000
Project Use Energy Costs ⁽⁹⁾	26,050,000	26,050,000	26,050,000	26,050,000	26,050,000
Extraordinary Operation and Maintenance Costs ⁽¹⁰⁾	4,600,000	4,973,000	4,060,000	6,398,700	6,669,600
Other Operation and Maintenance Costs ⁽¹¹⁾	<u>5,371,526</u>	<u>5,532,672</u>	<u>5,698,652</u>	<u>5,869,611</u>	<u>6,045,700</u>
Total Operation & Maintenance Costs	\$ 62,912,124	\$ 63,917,185	\$ 63,700,864	\$ 66,757,144	\$ 67,643,148
OM&R Revenues Remaining For Other Purposes Permitted Under The Transfer Agreement⁽¹²⁾	\$ 514,230	\$ 521,265	\$ 519,751	\$ 541,145	\$ 547,347

⁽¹⁾ Based on projected O&M Revenues as set forth under the caption “—Projected OM&R Revenues.”

⁽²⁾ Assumes 0.7% earnings on deposits in the OM&R Revenue Fund in Fiscal Year 2021 and each Fiscal Year thereafter.

⁽³⁾ Projected in Fiscal Year 2021 to be equal to the lowest amount of other revenues received in the past five fiscal years, no projected increase thereafter.

⁽⁴⁾ Payments on the 2020 Repayment Contract are projected. Payments on the 2020 Repayment Contract will become fixed upon completion of the extraordinary maintenance work financed under the 2020 Repayment Contract.

⁽⁵⁾ Assumes a true interest cost of 3.77% on a projected principal amount of \$8,060,000. Net of cash contribution by FWA. See the caption “JONES PUMPING PLANT PROJECT.”

⁽⁶⁾ Equals Total OM&R Revenues divided by Total Operation and Maintenance Obligations.

⁽⁷⁾ Assumes one additional staff member is hired in each of Fiscal Years 2022, 2023 and 2024, and annual salary and benefit cost increases of 3%.

⁽⁸⁾ Payments collected on behalf of Reclamation for payment to DWR for costs of operating San Luis Joint Use Facilities. Projected to remain constant at budgeted Fiscal Year 2021 levels.

⁽⁹⁾ Payments to Reclamation for Project Use Energy costs. Projected to remain constant at budgeted Fiscal Year 2021 levels.

⁽¹⁰⁾ Reflects extraordinary operation and maintenance costs as described under the caption “-Future Operation and Maintenance Costs.” Does not include debt service payments on Operation and Maintenance Obligations which are paid prior to Operation and Maintenance Costs. Fiscal Year 2021 extraordinary operations and maintenance costs reflect the adopted Fiscal Year 2021 budget. Fiscal Years 2022-2025 reflect the 10-Year Plan.

⁽¹¹⁾ Includes professional services, memberships, parts and materials, rents/leases, office expense, travel and continuing education, insurance, utilities and communication expenses. Reflects the adopted budget for Fiscal Year 2021 and projected to increase by 3% annually.

⁽¹²⁾ Reflects miscellaneous revenue and interest earnings available for capital expenditures and true-up adjustments following final Fiscal Year accounting.

Source: Authority.

Management Discussion of Projected OM&R Revenues and Operation and Maintenance Obligation Coverage

The Authority's Projected OM&R Revenues for Fiscal Years 2021 through 2025 are based on historical results and expected future events. Salaries and Benefits, San Luis Joint Use Facilities costs and Project Use Energy costs are the Authority's primary Operations and Maintenance Costs. All OM&R Costs are charged through to Water Delivery Contractors, Parties Entitled to Utilize or Receive Other Water, and FWA pursuant to the Transfer Agreement and the Friant MOU.

Projected Salaries and Benefits assumes that the Authority will hire one new employee in each of Fiscal Years 2022, 2023 and 2024, as well as a 3% annual increase in salary and benefit costs overall. The salary and benefit costs reflect only the costs attributable to OM&R, determined by tracking employee time spent on activities related to OM&R. San Luis Joint Use Facilities costs do not track water deliveries, as the Authority pays 39.9% of DWR's costs regardless of the Authority's actual use of the facility. As a result the projections assume San Luis Joint Use Facility costs will remain constant at budgeted Fiscal Year 2021 levels, which was the highest annual San Luis Joint Use Facility cost during the last five Fiscal Years. Project Use Energy costs primarily relate to energy costs, and also do not necessarily increase or decrease with water deliveries because Water Delivery Contractors receive supplemental water and actual pumping can exceed deliveries, resulting in the Authority paying a share of the increased pumping (power) cost. In addition, since Fiscal Year 2018, Cal ISO charges are included in Project Use Energy costs. Accordingly, the Authority projects Project Use Energy costs to remain constant at budgeted Fiscal Year 2021 levels.

The Authority expects that the amount of unearned revenues held by the Authority will be significantly reduced in future years as DWR billings to Reclamation for use of San Luis Joint Use Facilities are brought current and other unearned revenues are distributed to Water Delivery Contractors through reconciliations. In the future, if the Authority's Operation and Maintenance Costs exceed OM&R Revenues the Authority will look primarily to amounts held for extraordinary operation and maintenance, and if no such amounts are available to pay Operation and Maintenance Costs, the Authority will increase OM&R rates as permitted by the Transfer Agreement and the Friant MOU to collect amounts needed to pay such costs. See "Management Discussion of Historic OM&R Revenues and Operation and Maintenance Obligation Coverage" for a discussion of the Authority's use of unearned revenues to cover shortfalls in OM&R Revenues in Fiscal Years 2017 and 2018.

Investment of Authority Funds

All funds held by the Authority are invested in accordance with the Authority's Investment Policy. The primary objectives, in priority, are safety of principal, liquidity, and yield. The comprehensive Investment Policy was most recently adopted by the Authority in 2013 and is approved or revised as required by State law. The Authority currently holds approximately \$9,506,183 million in unrestricted reserve funds allocated to the OM&R Fund, which it invests in accordance with the Investment Policy. As of February 29, 2020, approximately \$1,127,768 of these unrestricted reserve funds constitute unearned revenue, collected by the Authority for extraordinary operation and maintenance costs. As of February 29, 2020, there was also unearned revenue related to the following funds: \$1,500,000 in the Project Use Energy fund, \$4,348,083 in the San Luis Joint Use fund, and \$3,112,111 in the routine (other) operation and maintenance fund, which was collected for Intertie conveyance costs. See the caption "—Unearned Revenue."

All investments, including the Permitted Investments and those authorized by law from time to time for investments by public agencies, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal.

The Authority's Investment Policy may be changed at any time by the Board (subject to State law provisions relating to authorized investments) and as the California Government Code is amended. There can be no assurance, therefore, that the State law and/or the Investment Policy will not be amended in the future to

allow for investments which are currently not permitted under State law or the Investment Policy or that the objectives of the Authority with respect to investments or its investment holdings at any point in time will not change.

Outstanding Obligations

Other Operation and Maintenance Obligations. The Authority has entered into two Reclamation Repayment Contracts with Reclamation to finance portions of the cost of extraordinary maintenance to the Jones Pumping Plant. See the caption “JONES PUMPING PLANT PROJECT.” These Reclamation Repayment Contracts allow the Authority to draw up to an aggregate principal amount of \$17,700,000 from Reclamation. To date approximately \$6,662,075 has been drawn by the Authority under the Reclamation Repayment Contracts. The Authority expects to draw all amounts available under the Reclamation Repayment Contracts by May, 2023. Such Reclamation Repayment Contracts are treated by the Authority as Operation and Maintenance Obligations payable from OM&R Revenues on a parity with the Bonds.

Obligations Payable From Sources Other Than OM&R Revenues. The Authority currently has outstanding \$28,935,000 of San Luis & Delta-Mendota Water Authority Refunding Revenue Bonds (DHCCP Development Project), Series 2013A (the “2013 Bonds”). The 2013 Bonds are payable from amounts received from Westlands Water District under an activity agreement entered into by the Authority and Westlands Water District (and other Authority member agencies) in 2009 and are not secured by or payable from OM&R Revenues. The Authority [expects to refinance] the 2013 Bonds for debt service savings in [January 2021].

State and Federal Contractors Water Agency. The State and Federal Contractors Water Agency (“SFCWA”) was formed by various water agencies in August of 2009 as a joint powers authority according to California law. The water agencies that formed SFCWA receive water transported across the Sacramento-San Joaquin Delta by the SWP and CVP. SFCWA’s mission is to develop and support programs to produce robust science and habitat restoration projects that improve the Bay-Delta ecosystem, and assist its member agencies in assuring an adequate reliable and high-quality water supply. The core focus of activities in pursuing this mission is centered on facilitating habitat conservation measures and researching the restoration of Delta ecosystems while assuring sufficient and reliable export water supplies. The Authority, along with five other water agencies, was an initial party to the agreement. In 2018, a decision was made to wind down SFCWA activities, with the ultimate objective of terminating the entity and related agreements that formed the entity, which is anticipated to occur in 2021 or later. At this time, SFCWA has received a status update on review of the pension and other post employment benefits liabilities and is evaluating whether it holds sufficient assets to cover existing and projected liabilities through the time of termination.

Future Extraordinary Operation and Maintenance Costs

The Authority undertakes extraordinary operation and maintenance projects in accordance with an Extraordinary O&M Project 10-Year Plan which is reviewed annually by the Authority’s O&M Technical Committee and was last approved by the Authority Board on January 9, 2020. The Authority currently projects undertaking extraordinary operation and maintenance projects totaling approximately \$26,700,000 in the current and next four Fiscal Years, not including the rewinds at Jones Pumping Plant described under the caption “JONES PUMPING PLANT PROJECT” in the Official Statement. The Authority currently expects to pay such extraordinary operation and maintenance costs from OM&R Revenues. The Authority does not expect to incur any additional Operation and Maintenance Obligations in the current or next four Fiscal Years to pay such extraordinary operation and maintenance costs.

Delta-Mendota Canal Subsidence Correction Project. The 116.5-mile long Delta-Mendota Canal (“DMC”) has several locations along its length where significant subsidence has occurred that limits the DMC’s ability to pass the design flows through that section. The areas where the significant subsidence has occurred are areas where the subsurface geology compacts when there is excessive groundwater pumping.

This condition typically occurs during extended drought periods when surface water is not available and the landowners pump groundwater to irrigate their crops.

The broad scope of work for the Delta-Mendota Canal Subsidence Correction Project is to perform modifications necessary on the DMC conveyance system that will allow maximum pumping at the Jones Pumping Plant. The Authority and Reclamation are developing appraisal level cost estimates for the various modifications to the DMC that are necessary to restore the DMC to its original design capacity. The first phase of this multi-phased project has received approximately \$5 million in federal funding and is in progress. This phase consists of manufacturing and installing two additional pumping units and appurtenances into the two additional pump bays of the Delta-Mendota Canal/California Aqueduct Intertie Pumping Plant. The installation of these pumping units is planned to be performed in 2021.

The additional phases of the DMC project will be determined and developed during the design phase of the project. During this design phase, the Authority and Reclamation will determine the total number of structures that will need to be modified during each phase and the order of the phases to best match the future funding for the Project. The phases include raising the height of the existing concrete lining, repairing the concrete lining that has been damaged by the subsidence, repairing and further protecting the clay lined embankment where the subsidence has caused significant embankment erosion, raising or replacing irrigation pipeline crossings and storm drain over chutes that have become (or are partially) submerged from the subsidence and raise or replace county road bridges where the bridge structure is impeding the DMC flows. Whether these additional phases will be undertaken by Reclamation or others, what the ultimate cost of such potential work might be, how such potential work will be financed, and what share of such costs, including financing costs, may be the responsibility of the Authority's Members cannot be predicted. No amounts for any subsidence related work with respect to the DMC are included in the projected OM&R Revenues set forth under the captions "—Projected OM&R Revenues" and "—Projected OM&R Revenues and Operation and Maintenance Obligations."

CVP Storage Facilities. Reclamation and others are evaluating various projects to improve CVP storage facilities. These potential projects include the enlargement of Shasta Dam to increase the storage capacity in the Shasta Reservoir, and the improvements to and/or enlargement of the B.F. Sisk Dam to address seismic issues and/or increase the capacity of the San Luis Reservoir. Whether these potential projects will be undertaken by Reclamation or others, what the ultimate cost of such potential projects might be, how such potential projects will be financed, and what share of such costs, including financing costs, may be the responsibility of the Authority's Members cannot be predicted.

San Luis Transmission Project. WAPA and Reclamation are proposing to construct a new 230-kilovolt transmission project about 85 miles in length between WAPA's Tracy Substation and San Luis, O'Neill and Dos Amigos substations. The goal of the San Luis Transmission Project ("SLTP") is to provide the electricity to economically and reliably deliver federal water supplies to water customers in the Central Valley and Bay Area while benefiting reliable grid operations in the region. As part of SLTP, WAPA is also considering constructing, operating and maintaining about seven miles of 70-kV transmission line between San Luis and O'Neill substations. When completed, WAPA will own, operate and maintain the SLTP with 400 megawatts of capacity between Tracy and San Luis substations reserved to serve Reclamation and the Authority's Members, fulfilling the transmission service request submitted by Reclamation. An additional 200 megawatts of capacity will remain for use by a private investor.

WAPA is statutorily obligated to provide power to the San Luis pumping units that serve the Authority's Members. The SLTP would be undertaken to ensure that obligation is met at stable and affordable rates. The Authority and WAPA completed the environmental review process for the SLTP under the National Environmental Policy Act ("NEPA") and the California Environmental Quality Act ("CEQA") and identified the preferred route and configuration for the transmission line. In April 2016, WAPA issued its record of decision for the SLTP project, which concluded the environmental review process.

Reclamation is considering options for financing the SLTP and is working with the Authority and other private investors as potential funding partners. The Authority does not know if or when the SLTP will be constructed, how Reclamation will finance its share of the SLTP, including whether the Authority will participate in such financing, or what share of costs of the SLTP will be, including finance costs. In the event that the construction of the SLTP is delayed or does not occur, WAPA will remain statutorily obligated to provide power. No amounts relating to the SLTP project are included in the projected OM&R Revenues set forth under the captions “—Projected OM&R Revenues” and “—Projected OM&R Revenues and Operation and Maintenance Obligations.”

Information Regarding Westlands Water District and Friant Water Authority

Westlands Water District. A significant portion of the OM&R Revenues is paid to the Authority by Westlands Water District. See the captions “—Historic OM&R Revenues” and “Projected OM&R Revenues.” The percentage of OM&R Revenues paid by Westlands Water District, however, varies based primarily on the amount of water delivered by the Authority to Westlands Water District.

A description of Westlands Water District and its finances, including anticipated capital expenditures and potential liabilities is set forth in Appendix A (the “Westlands Appendix”) to the Official Statement (the “2021B Official Statement”), relating to the Authority’s Refunding Revenue Bonds (DHCCP Development Project), Series 2021B (the “2021B Bonds”), which the Authority expects to issue in [January 2021] to refinance the 2013 Bonds for debt service savings. Debt service on the 2021B Bonds will be paid by the Authority from amounts received from Westlands Water District.

[The 2021B Official Statement, including the Westlands Appendix, is available at the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (“EMMA”) and can be accessed at emma.msrb.org.] The Westlands Appendix was prepared by Westlands Water District, not the Authority, and, accordingly, the Authority has not made any representation as to the accuracy or completeness of the information contained in the Westlands Appendix to or for the benefit of the Owners of the Bonds, nor will Westlands Water District make any representation to the Owners of the Bonds as to the accuracy or completeness of such official statement or as to the absence of material adverse changes in the information included in the Westlands Appendix after the date of the 2021B Official Statement. Westlands Water District entered into certain continuing disclosure agreements pursuant to which Westlands Water District is contractually obligated for the benefit of owners of certain of its outstanding obligations to file certain annual reports, notices of certain material events as defined under Rule 15c2-12 of the Securities Exchange Act of 1934 (“Rule 15c2-12”) and annual audited financial statements with certain repositories. Westlands Water District has not covenanted or agreed to provide any such information, annual reports, material event notices, or annual audited financial statements for the benefit of the Authority or the Owners of the Bonds and has no obligation or liability to the Authority or the Owners of the Bonds with respect thereto.

NEITHER THE BONDS NOR THE INDENTURE, DIRECTLY, INDIRECTLY OR CONTINGENTLY, OBLIGATE, IN ANY MANNER, WESTLANDS WATER DISTRICT OR ANY OTHER POLITICAL SUBDIVISION OR AGENCY OF THE STATE OF CALIFORNIA TO LEVY ANY TAX OR TO MAKE ANY APPROPRIATION FOR PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE BONDS OR ANY AMOUNT UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA, WESTLANDS WATER DISTRICT, OR ANY OTHER POLITICAL SUBDIVISION OR AGENCY OF THE STATE OF CALIFORNIA SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE BONDS OR ANY AMOUNT UNDER THE INDENTURE.

WESTLANDS WATER DISTRICT HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE AUTHORITY, THE TRUSTEE OR THE OWNERS OF THE BONDS TO PROVIDE INFORMATION WITH RESPECT TO THE FINANCIAL CONDITION OR

LIABILITIES OF WESTLANDS WATER DISTRICT TO THE AUTHORITY, THE TRUSTEE OR THE OWNERS OF THE BONDS.

WESTLANDS WATER DISTRICT HAS NOT REVIEWED THIS OFFICIAL STATEMENT AND HAS MADE NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO WESTLANDS WATER DISTRICT. WESTLANDS WATER DISTRICT IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE ANY INFORMATION RELATING TO WESTLANDS WATER DISTRICT, FOR THE BENEFIT OF THE AUTHORITY OR THE OWNERS OF THE BONDS UNDER RULE 15c2 12.

FWA Audited Financial Statements. A significant portion of the OM&R Revenues is paid to the Authority by FWA on behalf of the Settlement Contractors. See the captions “—Historic OM&R Revenues” and “Projected OM&R Revenues.” The percentage of OM&R Revenues paid by FWA, however, varies based primarily on the amount of water delivered by the Authority to the Settlement Contractors.

No principal or interest on the Bonds will be charged to FWA. See the captions “JONES PUMPING PLANT PROJECT” and “INVESTMENT CONSIDERATIONS—FWA Contributions to Project Costs.”

FWA annually prepares audited financial statements. Copies of FWA’s audited financial statements can be obtained by contacting Doug DeFlitch, FWA’s Chief Operating Officer, by phone at (559) 562-6305 or through FWA’s website, at <https://friantwater.org/contact>.

NEITHER THE BONDS NOR THE INDENTURE, DIRECTLY, INDIRECTLY OR CONTINGENTLY, OBLIGATE, IN ANY MANNER, FWA OR ANY OTHER POLITICAL SUBDIVISION OR AGENCY OF THE STATE OF CALIFORNIA TO LEVY ANY TAX OR TO MAKE ANY APPROPRIATION FOR PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE BONDS OR ANY AMOUNT UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA, FWA, OR ANY OTHER POLITICAL SUBDIVISION OR AGENCY OF THE STATE OF CALIFORNIA SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE BONDS OR ANY AMOUNT UNDER THE INDENTURE.

FWA HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE AUTHORITY, THE TRUSTEE OR THE OWNERS OF THE BONDS TO PROVIDE INFORMATION WITH RESPECT TO THE FINANCIAL CONDITION OR LIABILITIES OF FWA TO THE AUTHORITY, THE TRUSTEE OR THE OWNERS OF THE BONDS.

FWA HAS NOT REVIEWED THIS OFFICIAL STATEMENT AND HAS MADE NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO FWA. FWA IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE ANY INFORMATION RELATING TO FWA, FOR THE BENEFIT OF THE AUTHORITY OR THE OWNERS OF THE BONDS UNDER RULE 15c2 12.

LITIGATION

General. There is no action, lawsuit or proceeding known to be pending or threatened, restraining or enjoining the execution or delivery of the Bonds, the Indenture, the OM&R Master Resolution, the Transfer Agreement or the Friant MOU, or in any way contesting or affecting the validity of the foregoing or any proceedings of the Authority taken with respect to any of the foregoing.

Except as described below, there are no lawsuits pending or, to the knowledge of the Authority, threatened, questioning the corporate existence of the Authority, or the title of the officers of the Authority to their respective offices, or the power and authority of the Authority to execute the Indenture, issue the Bonds or make the payments thereunder. There is no litigation pending, or to the knowledge of the Authority, threatened, questioning, or affecting in any material respect any of the financial information or projections in the Official Statement.

Pacific Coast Federation of Fishermen's Associations et al. v. Ross, et al./California Natural Resources Agency et al. v. Ross, et al. On or about December 12, 2019, Pacific Coast Federation of Fishermen's Association ("PCFFA") and several other Non-Governmental Organizations filed suit challenging biological opinions that analyzed coordinated operations of the CVP and State Water Project ("SWP"), issued by the United States Fish and Wildlife Service ("FWS") and the United States National Marine Fisheries Service ("NMFS"). PCFFA et al. subsequently filed an amended complaint which added a challenge to Reclamation's issuance of a Record of Decision for the coordinated operations and reliance on the biological opinions. On February 20, 2020, the Attorney General of California, California Natural Resources Agency and California Environmental Protection Agency (collectively, the "State Agencies") filed a similar complaint, which also challenges the biological opinions, Reclamation's record of decision and its reliance on the biological opinions. Both PCFFA et al. and the State Agencies asked the court for declaratory and injunctive relief and preliminary and permanent injunctions. The court will likely decide the merits of the complaints in 2021. The Authority was granted leave to intervene in the PCFFA et al. and State Agencies cases.

On March 3, 2020, PCFFA et al. filed a motion for preliminary injunction to enjoin CVP operations until the Court resolves the merits of PCFFA et al.'s claims. On April 21, 2020, the State Agencies also filed a motion for preliminary injunction to enjoin CVP operations until May 31, 2020. The motions were argued on May 7, 2020. On May 11, 2020, the court issued two orders, one in the State Agencies case and one in the PCFFA et al. case. The order in the State Agencies case granted their request for a preliminary injunction, and the order in the PCFFA et al. case granted in part and denied in part as moot for preliminary injunction and holding certain issues in abeyance. The effect of the two orders is that Reclamation operated the C.W. "Bill" Jones Pumping Plant at minimum levels from May 12, 2020 through May 31, 2020.

As of May 12, 2020, the Authority projected that, as a result of the Jones Pumping Plant operating at minimum levels, approximately 52,000 acre-feet less CVP water would be pumped in May 2020 than the amount that the Authority had planned for prior to the issuance of the preliminary injunction by the Court. The reduction in CVP water did not result in a reduction in the then existing 15% allocation to the Authority's agricultural water service and repayment contractors' CVP Contract Water entitlements. On May 19, 2020, Reclamation increased the allocation to the Authority's agricultural water service contractor member agencies to 20%. The court subsequently denied without prejudice the remaining aspects of PCFFA's motion to preliminary injunction as to Shasta operations in an order dated June 24, 2020.

The Court has not yet scheduled any dates for briefing or ruling on the merits.

The Authority is not able to determine if an adverse ruling in these actions will have material adverse effects on the ability of Authority Members to pay amounts due to the Authority and to be applied by the Authority to the payment of principal of and interest on the Bonds. If the Authority's Members are unable to pay their share of OM&R costs to the Authority on a timely basis it could have a material adverse impact on the Authority's ability to pay principal of and interest on the Bonds on a timely basis.

Tehama Colusa Canal Authority et al. v. California Department of Water Resources, et al. On or about April 28, 2020, the Authority, together with the Tehama Colusa Canal Authority, Friant Water Authority, and other agencies, filed a petition challenging DWR's and the California Department of Fish and Wildlife's ("CDFW") actions in certifying an Environmental Impact Report ("EIR") for the long-term operation of the State Water Project. CDFW issued DWR a California Endangered Species Act incidental take permit ("ITP") for those operations on March 31, 2020. DWR's operation of the SWP, consistent with the

conditions of approval imposed through the ITP, may affect the coordinated operations of the CVP and SWP, although the ITP was not issued to Reclamation and does not impose conditions on Reclamation's operation of the CVP.

A number of other parties filed similar petitions, also challenging the EIR and in some cases, the ITP, alleging CEQA and a number of other statutory violations. The eight related cases have been coordinated for argument and consideration in Sacramento County Superior Court. The court has not yet scheduled any dates for briefing or ruling on the merits, but will likely decide the merits of the petitions in 2021. The Authority is not able to determine if an adverse ruling in these actions will have material adverse effects on the Authority's Members' water supply, or their ability to pay amounts due to the Authority, at this time.

9(d) Repayment Contracts. Three cases are pending against the United States challenging, among other things, the United States' execution of certain repayment contracts by various CVP contractors, including Authority Members, and seeking to enjoin additional conversion of water service contracts to repayment contracts. The cases are:

- *Center for Biological Diversity, et al. v. United States Bureau of Reclamation, et al.*, United States District Court, Eastern District of California, Case No. 1:20-cv-00706;
- *North Coast Rivers Alliance, et al. v. U.S. Department of Interior, et al.*, United States District Court, Eastern District of California, Case No. 1:16-cv-00307; and
- *Hoopa Valley Tribe v. United States Bureau of Reclamation, et al.*, United States District Court, Northern District of California, Case No. 3:30-cv-05630.

The Authority is not a party to any of the three cases, and the Authority does not anticipate a ruling adverse to the United States would have a material adverse effect on the Authority's Members' water supply, or their ability to pay amounts due to the Authority to be applied to the payment of principal of and interest on the Bonds. If the court in any of the three cases were to rule that the 9(d) repayment contracts should be set aside, the Authority anticipates water deliveries to Authority Members from the CVP would continue under either revised repayment contracts or interim renewal or long-term renewal contracts with the interim or long-term renewal contracts being renewable under existing federal reclamation law for at least the duration of the repayment period for the Bonds.

Grassland Bypass Project. Three cases are pending against the Authority, the United States, and/or the California State Water Resources Control Board (the "SWRCB") challenging various aspects of the Grassland Bypass Project. The Grassland Bypass Project is the Authority's program to manage and discharge the subsurface drain water and surface storm water from lands within the Grassland Drainage Area. The Authority assists in management of the Grassland Bypass Project on behalf of a group of its agricultural and drainage district members pursuant to the Grassland Basin Drainage Management Activity Agreement. Three separate cases challenge the Authority's, the United States', and the SWRCB's approval of various environmental documents and permit applications pertaining to surface water and storm water discharges from the Grassland Bypass Project. The cases are:

- *Pacific Coast Federation of Fishermen's Alliance, et al. v. Glaser, et al.*, United States District Court, Eastern District of California, Case No. 2:11-cv-02980;
- *North Coast Rivers Alliance, et al. v. San Luis & Delta-Mendota Water Authority, et al.*, Merced County Superior Court, Case No. 19CV-04989; and
- *Winnemem Wintu Tribe, et al. v. State Water Resources Control Board, et al.*, Merced County Superior Court, Case No. 19CV-04989.

The Authority is a Defendant or Real Party in Interest in each of these cases. And in each of the cases, the Authority maintains that the appropriate environmental analysis was completed and that the appropriate permitting requirements were satisfied. If the court in any of the three cases were to rule that additional permitting was required, or that completed environmental review violated any applicable statute, the Authority anticipates that Grassland Bypass Project drainage activities would continue to occur, although additional permitting or analysis might be required. The Authority is not able to determine if an adverse ruling in these actions will have material adverse effects on the Authority's Members' water supply, or their ability to pay amounts due to the Authority, at this time.

North Coast Rivers Alliance et al. v. Department of Water Resources et al. On January 16, 2019, North Coast Rivers Alliance, Institute for Fisheries Resources, Pacific Coast Federation of Fishermen's Associations, San Francisco Crab Boat Owners Association, and Winnemem Wintu Tribe ("Petitioners") filed a "Verified Petition for Writ of Mandate and Complaint for Declaratory and Injunctive Relief and for Attorneys' Fees" ("Petition") in Sacramento Superior Court challenging in part approval of the Addendum to the Agreement Between the United States of America and the Department of Water Resources of the State of California for Coordinated Operation of the Central Valley Project and the State Water Project ("COA Addendum"). The Petition alleges in part that, by entering in the COA Addendum, DWR violated CEQA, the Delta Reform Act, and the Public Trust Doctrine. The Addendum amends four elements of the 1986 Agreement to reflect the evolved manner in which the CVP and SWP have coordinated operations since the 1986 Agreement was signed. The administrative record for the action is being prepared. The Authority is not a party to this case, and is not able to determine if an adverse ruling in this action will have material adverse effects on Authority Members' ability to pay amounts due to the Authority and to be applied by the Authority to the payment of principal of and interest on the Bonds.

AquAlliance et al. v. United States Bureau of Reclamation. On May 11, 2020, AquAlliance, California Sportfishing Protection Alliance, California Water Impact Network, Central Delta Water Agency, and South Delta Water Agency filed with the United States District Court a complaint for declaratory and injunctive relief and petition for writ of mandate, challenging what is commonly referred to as the "Long-Term Water Transfers" program. The Authority is a named defendant. The Long-Term Water Transfers program is intended to provide environmental coverage during the period 2020 through 2024 for a range of potential water transfers from water contractors north of the Sacramento-San Joaquin Delta to CVP water contractors south of the Sacramento-San Joaquin Delta, including the District. AquAlliance et al. allege, when approving that program: (1) Reclamation violated NEPA, (2) the Authority violated the CEQA, and (3) the Authority abridged and abrogated its public trust duties. On June 9, 2020, the Authority learned that the plaintiffs in this action filed an amended complaint and petition, alleging that the FWS issued a biological opinion for the program and, by its actions was arbitrary, capricious, and failed to proceed as required by law, including the federal Endangered Species Act. The Authority does not anticipate that a ruling adverse to Reclamation, FWS, or the Authority would have a material adverse effect on Authority Members' acquisition of supplemental water or on the Authority's Members' ability to pay to amounts due to the Authority and to be applied by the Authority to the payment of principal of and interest on the Bonds.

Pacific Gas and Electric Company, Wholesale Distribution Tariff, FERC Docket Nos. ER20-2878-000 et seq. On September 15, 2020, pursuant to Section 205 of the Federal Power Act and Section 35.13 of the Regulations of the Federal Energy Regulatory Commission (FERC), Pacific Gas and Electric Company ("PG&E") submitted for filing proposed rate changes and revisions to certain non-rate terms and conditions of PG&E's Wholesale Distribution Tariff ("WDT"). PG&E also submitted for filing related proposed rate changes to the existing Service Agreements for Wholesale Distribution Service ("WDT Service Agreements") of eight customers: the City and County of San Francisco, the Port of Oakland, the Power and Water Resources Pooling Authority ("PWRPA"), the Shelter Cove Resort Improvement District No. 1, the Westside Power Authority and WAPA. The proposed changes, if accepted by FERC, will impact the rates the Authority pays to WAPA (through the United States Bureau of Reclamation) for distribution of power generated by the CVP, and will impact the rates certain Authority Members pay to the PWRPA for power acquired by PWRPA under long-term and annual supplemental purchase arrangements. The Authority is still assessing

the extent of impact, but the proposed changes could result in significant WDT rate increases compared to current rates and rate methodologies.

The Authority is not a party in the FERC proceedings in which the proposed changes will be considered. However, as a result of the proceedings, PG&E's rates and rate methodologies may change, albeit in potentially different ways from what PG&E has proposed, and those changes may increase the amount the Authority pays to WAPA, and that Authority Members pay to PWRPA and WAPA. The changes may occur as early as January 2021 or as late as April 2021, if not later.

Other. There exist lawsuits and claims against or involving the Authority that are incidental to the ordinary course of business of the operation of the Authority. In the view of the Authority's General Counsel, no such incidental litigation present or pending, will individually or in the aggregate materially impair the Authority's, or its Members' ability to pay the amounts necessary to secure the Bonds.

INVESTMENT CONSIDERATIONS

The following information, in addition to the other matters that are described in this Official Statement, should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be comprehensive, definitive or an exhaustive listing of risks and other considerations that may be relevant to making an investment decision with respect to the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. If any risk factor materializes to a sufficient degree, it alone could delay or preclude payment of principal or interest on the Bonds.

Accuracy of Assumptions

To estimate the OM&R Revenues which will be available to pay the Bonds, the Authority has made certain assumptions with regard to various matters, including but not limited to Reclamation's allocation of CVP water, the demand for water to be delivered or conveyed through the Project Works and the ability and willingness of parties obligated to pay the OM&R rates related to such deliveries to pay such OM&R rates. The Authority believes these assumptions to be reasonable, but to the extent that any of such assumptions fail to materialize, the OM&R Revenues available to pay the Bonds will, in all likelihood, be less than those projected herein. See the caption "THE AUTHORITY—Projected OM&R Revenues and Operation and Maintenance Obligation Coverage" in this Appendix A. See the caption "SECURITY FOR THE BONDS—Rate Covenant."

OM&R Costs

There can be no assurance that the Authority's Operation and Maintenance Costs will be consistent with the descriptions in this Official Statement. Operation and Maintenance Costs may vary with hydrological conditions, regulatory compliance costs, labor costs (including costs related to pension and other post-employment benefits) and other factors. Increases in Operation and Maintenance Costs or low water delivery quantities could require an increase in OM&R rates in order to comply with the rate covenant. See the caption "SECURITY FOR THE BONDS—Rate Covenant."

Regulatory Constraints on CVP Operations

The Authority's Members' principal source of water is the CVP ("CVP Contract Water"), a multi-purpose project operated by Reclamation. There can be no assurance that CVP Contract Water allocated by Reclamation to Members and which the Authority delivers or conveys will be maintained at levels described in this Official Statement under the caption "THE AUTHORITY—Historic Water Deliveries." The allocation of CVP water by Reclamation will vary materially from year-to-year for a variety of reasons.

The Authority expects its Members' long-term water supply outlook to be limiting. The annual average delivery capability of the CVP has been constrained because of hydrologic conditions, as well as the application of federal and state laws, including the Endangered Species Act, the Central Valley Project Improvement Act, the Clean Water Act and the Porter-Cologne Water Quality Control Act, intended to protect at-risk species, protect beneficial uses of water, and protect, restore, and enhance fish, wildlife, and associated habitats in the Central Valley and Trinity River basins of California. Prior to recent changes in the application of certain of these laws and how the CVP and State Water Project ("SWP") would share responsibility for meeting water quality and environmental flow obligations imposed by federal and state regulatory agencies, the Authority estimated its agricultural water service contractor Members' long-term average allocation from the CVP would be approximately 35 to 40 percent of their contract totals.

In December 2018, the United States and the State executed an Addendum to the Agreement Between the United States of America and the Department of Water Resources of the State of California for Coordinated Operation of the Central Valley Project and SWP, which amended the Coordinated Operation Agreement ("COA") originally signed in 1986. The Addendum amended four key elements of COA to reflect the evolved manner in which the CVP and SWP were operated since COA was originally signed: Article 6(c) in-basin uses; Article 10(b) CVP use of Harvey O. Banks ("Banks") Pumping Plant; Article 10(i) export restrictions; and Article 14(a) the periodic review.

Also, in October 2019, the United States Fish and Wildlife Service ("FWS") and the United States National Marine Fisheries Service ("NMFS") issued new biological opinions pursuant to section 7 of the Endangered Species Act for coordinate operations of the CVP and SWP, which were adopted by Reclamation in February 2020. These biological opinions replaced biological opinions issued in 2008 and 2009 by the FWS and NMFS, respectively. Through a record of decision issued by Reclamation, Reclamation decided to operate the CVP, in coordination with SWP, as analyzed in the October 2019 biological opinions. It is anticipated that since the ROD is based on new biological opinions issued in October 2019, the CVP and SWP operators will have more operational flexibility in order to manage the CVP and SWP to avoid jeopardizing listed species while also improving the opportunity to deliver the Authority's Members' water supply. (See the caption "LITIGATION" detailing the judicial challenges to the Addendum, the 2019 biological opinions, and Reclamation's acceptance of the 2019 biological opinions, including a preliminary injunction issued with respect to the 2019 biological opinions and Reclamation's acceptance of the 2019 biological opinions.)

On or about March 27, 2020, and pursuant to CEQA, DWR certified an EIR and issued a Notice of Determination for the long-term operation of the SWP. The CDFW issued DWR a California Endangered Species Act ITP for those operations on March 31, 2020. DWR's operation of the SWP, consistent with the conditions of approval imposed through the ITP, are likely to affect the coordinated operations of the CVP and SWP. Whether and how those affects impact the Authority's Members' water supply are uncertain at this time. See the caption "LITIGATION" detailing the judicial challenge to the EIR for long-term operations.

Effect of Sustainable Groundwater Management Act. The Sustainable Groundwater Management Act ("SGMA") was enacted by the California Legislature and became effective on January 1, 2015. Among other requirements, SGMA requires the formation of local groundwater sustainability agencies to assess conditions in local groundwater basins and adopt locally-based groundwater sustainability plans. Authority Members overlie multiple groundwater subbasins, including medium and high priority subbasins. The Authority provides coordination for GSAs within the Delta-Mendota Subbasin, and is the Plan Manager for the Northern and Central Delta-Mendota Subbasin Management Committees. SGMA's deadline for completing a Groundwater Sustainability Plan ("GSP") was January 2020.

DWR has until January 23, 2022 to act on the GSPs adopted by Authority Members that are acting as GSAs. Prior to GSP approval by DWR, the GSAs will implement the respective GSPs, as adopted. If the respective GSPs are not approved by DWR, then responsibility for implementation of SGMA in the respective groundwater subbasins will shift to the SWRCB. If the SWRCB is managing the respective groundwater

subbasins, they have the authority to intervene and regulate pumping, develop an interim GSP, and impose fees on the landowners.

State Water Resources Control Board Update on the Water Quality Control Plan. The SWRCB is in the process of updating the Water Quality Control Plan for the San Francisco Bay/Sacramento-San Joaquin Delta Estuary (“Bay-Delta Plan”). The SWRCB has segregated this process into two phases. Phase 1 involves updating San Joaquin River flow and southern Delta water quality requirements included in the Bay-Delta Plan. Phase 2 involves comprehensive changes to the other sections of the Bay-Delta Plan, to protect beneficial uses not addressed in Phase 1, and may address Delta outflows, Sacramento River inflows, Suisun Marsh salinity, Delta Cross Channel Gate closure, export limits, and reverse flows. Once those two phases are completed, the SWRCB will need to take steps to implement the Bay-Delta Plan.

On December 12, 2018, the SWRCB adopted new water quality objectives for the San Joaquin River’s major tributaries for the protection of fish and wildlife, and revised the water quality objectives for southern Delta salinity (the “Phase 1 Amendments”). The new objectives increase flow on the San Joaquin River and its tributaries to a range of 30 to 50 percent of the unimpaired flow levels, with a starting point of 40 percent of unimpaired flow from February through June. The SWRCB has defined unimpaired flow as the water production of a river basin, unaltered by upstream diversions, storage, or by export or import of water to or from other watersheds. For southern Delta salinity, the SWRCB established a 1.0 Electrical Conductivity (EC) objective throughout the year for the southern Delta for the protection of agricultural beneficial uses and provided the water rights of the DWR and Reclamation are conditioned upon implementation of the southern Delta salinity objectives to protect agricultural beneficial uses. Notwithstanding the statement, the SWRCB indicated an intent to take additional steps to implement the new and revised water quality objectives, including through water rights proceedings. At least one Authority Member has filed a challenge to the amendments approved by SWRCB to the Bay-Delta Plan.

On October 19, 2016, the SWRCB staff released a working draft Scientific Basis Report (the “SBR”) for fisheries and flows in the Sacramento River and Bay-Delta – Phase 2. The draft SBR identifies the science that the SWRCB staff intended to rely on in considering potential changes to the Bay-Delta Plan to enhance flows in and out of the Sacramento River basin and within the Bay-Delta to protect fish and wildlife. The SBR was finalized in October 2017 and analyzes possible effects of modified requirements for fish and wildlife protection on other beneficial uses of water, including alternatives and economic impacts.

In July 2018, the SWRCB staff released a Framework for the Sacramento/Delta Update to the Bay-Delta Plan (Phase 2 Framework) that described changes SWRCB staff intended to propose through a formal proposal and supporting environmental document. The proposed changes include unimpaired flow requirements for the Sacramento River and its salmon-bearing tributaries that range between 45 and 65 percent, with a starting point of 55 percent, a new narrative cold water habitat objective, and new objectives for fall Delta outflows and interior Delta flows. A decision on Phase 2 will not be made until SWRCB staff has completed their draft staff report and the Substitute Environmental Document and the public has been provided an opportunity to comment.

On December 12, 2018, during the SWRCB hearing to consider adoption of the Phase 1 Amendments, the Directors of DWR and the CDFW presented a framework for a Voluntary Agreement among DWR, the CDFW, water users in the San Joaquin and Sacramento watersheds, SWP and CVP contractors, and members of the conservation community that would provide more modest additional flows for fish and wildlife combined with commitments to contribute substantial funding for structural habitat improvements and scientific investigations. At the hearing, the SWRCB directed its staff to provide appropriate technical and regulatory information to assist the California Natural Resources Agency in completing the agreement as a potential alternative for a future Bay-Delta Plan update. Since December 2018, the California Natural Resources Agency has been working with federal agencies, other state agencies, local agencies and non-governmental organizations on a Voluntary Agreement. If the Voluntary Agreement is successfully negotiated and approved by the SWRCB, it is likely that a charge of \$7.00 - \$10.00 per acre-foot will be imposed on

water delivered by the CVP to the District, as well as other public water agencies that acquire water from the CVP and SWP. This charge will be used to generate revenue to purchase water for instream and Delta outflow and to implement the non-flow and adaptive management programs contemplated by the Voluntary Agreement. Given the state of the SWRCB Phase 2 update and the effort to negotiate a Voluntary Agreement, it is uncertain whether implementation of the updated Bay-Delta Plan will have a positive or negative impact on the Authority's Members' surface water supply.

Certain Factors Affecting Agricultural Areas

Approximately 78% of the water delivered and conveyed by the Authority through the Project Works (on average, based on a 45% long-term average irrigation contractor allocation) is used for agricultural production. As a result, the ability and willingness of water users and landowners in agricultural Water Delivery Contractors is highly dependent on agricultural production. A number of factors, including but not limited to weather conditions, crop prices, disease and crop predation, federal and State agricultural and environmental policies, federal reclamation law or policies, national and international trade policies, soil quality, drainage or other soil conditions, operational conditions as well as general economic conditions may adversely affect the ability of such water users to pay water rates or landowners to pay acreage charges or assessments necessary for Water Delivery Contractors to pay OM&R rates to the Authority. If one or a combination of these factors adversely impacts the ability of the landowners or water users to make such payments, the Authority expects that collection of OM&R Revenues could decline. The Authority does not believe that such decline would adversely affect the ability of the Authority to pay the Bonds unless such factors continued for a substantial period of time. Due to a Reclamation Municipal and Industrial (M&I) Water Shortage Policy and because of statutory requirements for refuge water supplies, M&I water users and refuge water uses are not subject to the water shortage provisions that affect irrigation water supplies.

FWA Contributions to Project Costs

The rehabilitation of the fourth unit (Unit 1) and fifth unit (Unit 4) at the Jones Pumping Plant will depend in part upon the receipt by the Authority of payments from FWA in accordance with a memorandum of understanding. See the captions "JONES PUMPING PLANT" and "THE AUTHORITY—Friant MOU" in the Official Statement. If FWA does not make such payments to the Authority in full when due, the Authority may be required to draw on its reserves or assess charges against Water Delivery Contractors or Parties Entitled to Utilize or Receive Other Water to make required payments to contractors. In such an instance, payments to the contractors would be delayed.

The Authority has the right to enforce the Friant MOU in the same manner as FWA may enforce the Friant Transfer Agreement; however, the Authority lacks the authority to terminate water delivery to the Settlement Contractors in the event that FWA does not make the required payments. Enforcement of FWA's obligation to make the required payments by suit or otherwise may be expensive, the outcome may be uncertain, and any recovery may not be available as required to make payments to contractors.

Rate Covenant Not a Guarantee

The Bonds are payable from OM&R Revenues. The payment of debt service with respect to the Bonds depends on the Authority's ability to generate OM&R Revenues at the levels required by the OM&R Master Resolution. Although the Authority has covenanted in the OM&R Master Resolution to use its best efforts to impose OM&R rates as more particularly described under the captions "SECURITY FOR THE BONDS-Rate Covenant", and expects that sufficient OM&R Revenues will be generated through the imposition and collection of OM&R rates, there is no assurance that the imposition and collection of such OM&R rates will result in the generation of OM&R Revenues in the amounts required by the OM&R Master Resolution. In addition, the Authority's ability to generate OM&R Revenues sufficient to pay the Bonds may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons

obligated to pay assessments, fees and charges. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON APPROPRIATIONS AND FEES.”

Water Service Deliveries

There can be no assurance that the deliveries for water service by the Authority through the Project Works will be maintained at levels sufficient to generate OM&R Revenues consistent with those set forth under the heading “THE AUTHORITY—Projected OM&R Revenues.” Water service deliveries could be reduced as a result of hydrological conditions, conservation efforts (including in response to a drought), an economic downturn and other factors. Reduction in the level of deliveries could require an increase in OM&R rates or a reduction in budget or a combination of both in order to produce OM&R Revenues sufficient to comply with the Authority’s rate covenant in the OM&R Master Resolution. Such rate increases could increase the likelihood of nonpayment. However, if a Water Delivery Contractor defaults in payment and Reclamation does not pay on their behalf, the Transfer Agreement provides that Authority may discontinue delivery and conveyance of water to or for such Water Delivery Contractor or Party Entitled to Utilize or Receive Other Water until such time as the delinquency is cured. See the caption “THE AUTHORITY—OM&R Rate Setting” in this Appendix A. The Authority does not have the ability to stop deliveries of water to Settlement Contractors under the Friant MOU. There can be no assurance that any other entity with regulatory authority over the CVP or the Project Works will not adopt further restrictions on operation of the CVP or the Project Works.

Statutory and Regulatory Compliance

Laws and regulations governing the conveyance and delivery of water are enacted and promulgated by federal, State and local government agencies. Compliance with these laws and regulations is and will continue to be, costly, and as more stringent standards are developed, such costs will likely increase.

Except as described in this Official Statement, the Authority is unaware of any claim against the Authority for failure to comply with applicable laws and regulations. However, if such a claim were successful, such claim may be payable from assets of the Authority or from other legally available sources. In addition to claims by private parties, changes in the scope and standards for public agency water systems such as that operated by the Authority may also lead to administrative orders issued by federal or State regulators. Future compliance with such orders can also impose substantial additional costs on the Authority. No assurance can be given that the cost of compliance with such laws, regulations and orders would not adversely affect the ability of the Authority to generate OM&R Revenues sufficient to pay the Bonds.

Limitations on Remedies Available; Bankruptcy

The enforceability of the rights and remedies of the Owners and the obligations of the Authority may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; equitable principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercising of powers by the federal or State government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

The opinions to be delivered by Bond Counsel concurrently with the issuance of the Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the Bonds will be similarly qualified. See Appendix G. In the event that the Authority fails to comply with

its covenants under the OM&R Master Resolution or fails to pay the Bonds, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the Bonds. Furthermore, the remedies available to the owners of the Bonds upon the occurrence of an event of default under the Bonds are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

No Obligation to Tax

The obligation of the Authority to pay the Bonds does not constitute an obligation of the Authority for which the Authority is obligated to levy or pledge any form of taxation, or for which the Authority has levied or pledged any form of taxation. The obligation of the Authority to pay the Bonds does not constitute a debt or indebtedness of any agency, the State of California or any of its political subdivisions, in contravention of any constitutional or statutory debt limitation or restriction.

Change in Law

In addition to the other limitations described herein, the California electorate or Legislature could adopt a constitutional or legislative property tax decrease or an initiative with the effect of reducing OM&R Revenues payable to or collected by the Authority. There is no assurance that the California electorate or legislature will not at some future time approve additional limitations that could reduce the OM&R Revenues and adversely affect the security of the Bonds.

Natural Disasters and Seismic Considerations

General. The occurrence of any natural disaster affecting the Authority, the Members of the Authority or affecting the Central Valley itself or any Reclamation facilities, including, without limitation, earthquake, wildfire, drought, high winds, landslide or flood, could have an adverse material impact on the economy within the Authority and the OM&R Revenues available for the payment of the Bonds or result in substantial damage to and interference with the operations of the Project Works.

Seismic Activity. The area encompassed by the Members of the Authority as well as areas from where Reclamation provides water to the Authority, like that in much of California, may be subject to unpredictable seismic activity. The Project Works and the Reclamation facilities are located within a regional network of several active and potentially active faults. In addition, the Delta, from or through which the Reclamation's CVP water supply is diverted or conveyed, contains an extensive levee network critical to the CVP's water supply reliability. If there were to be an occurrence of severe seismic activity in the jurisdiction of the Members or in areas, including the Delta affecting Reclamation's facilities, there could be an impact on the ability of water users to pay the OM&R Rates, diminishing OM&R Revenues, which could have an adverse effect on the Authority's ability to pay the Bonds.

The Authority does not maintain earthquake insurance on the Project Works. In addition, Reclamation does not maintain earthquake insurance for the Project Works. See the caption "THE AUTHORITY—Authority Insurance."

Flooding. Portions of the area where the Project Works are located and where other Reclamation facilities are located are mapped within the 100-year flood plain and have the potential to flood if precipitation events exceed the floodplain capacity. The Authority does not maintain insurance covering damage to the Project Works caused by flooding. In addition, Reclamation does not maintain insurance covering damage to the Project Works caused by flooding. See the caption "THE AUTHORITY—Authority Insurance" and the caption "INVESTMENT CONSIDERATIONS—Natural Disasters and Seismic Considerations—Climate Change." Damage to portions of the Members of the Authority due to damage caused by flooding and the impact on economic activities, including agricultural activities, may affect the demand for water delivered and

conveyed by the Authority or the ability or willingness of rate payers or landowners within Water Delivery Contractors to pay rates, acreage charges or assessments.

Fire. Wildfires have occurred historically in different regions of the State, including areas in which Reclamation conducts water gathering activities and in or near the service areas of Authority members. There can be no assurance that fires will not occur near CVP facilities or within the boundaries of the Members of the Authority in the future, leading to decreased CVP water supplies delivered and conveyed by the Authority and a decline in OM&R Revenues. The Authority does not carry insurance for fire damage on the Project Works. In addition, Reclamation does not carry insurance for fire damage on Project Works. See the caption “THE AUTHORITY—Authority Insurance.”

Drought. For several years prior to 2017, the State experienced a significant drought, one of the consequences of which was a 0% allocation of CVP water deliveries by Reclamation to the Authority in Fiscal Years 2015 and 2016 and significantly reduced CVP water allocations by Reclamation in Fiscal Years 2014 and 2017. Drought conditions are likely to reappear in the future. The reappearance of drought conditions is likely to result in a decrease in the amount CVP water delivered and conveyed by the Authority, which could adversely affect the ability of the Authority to generate OM&R Revenues in amounts that are sufficient to pay the Bonds.

Climate Change. Climate change, including change caused by human activities, may have adverse effects on the Authority’s Water System. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, climate change is expected to intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods and heat waves, and raising sea levels. The future fiscal impact of climate change on the CVP, Authority Members or the Reclamation facilities is difficult to predict, but it could be significant and it could have a material adverse effect on the Authority’s receipt of OM&R Revenues by requiring greater expenditures to counteract the effects of climate change or by changing the business and activities of Authority Members and Members’ water users. The Authority considers the potential effects of climate change in its planning.

Operations and Maintenance Obligations

The OM&R Resolution permits the Authority to issue Operation and Maintenance Obligations payable from OM&R Revenues on a parity with the Bonds, subject to the terms and conditions set forth therein. See the caption “SECURITY FOR THE BONDS—Limitations on Additional Operation and Maintenance Obligations” herein. The issuance of additional Operation and Maintenance Obligations could result in a dilution of OM&R Revenues available to pay the Bonds. In the OM&R Resolution, the Authority has covenanted to use its best efforts to impose rates and charges to maintain coverage of at least 110% of Operation and Maintenance Obligations and 100% of other Operation and Maintenance Costs, as further described under the caption “SECURITY FOR THE BONDS—Rate Covenant.”

Secondary Market for Bonds

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

COVID-19

The spread of the novel strain of coronavirus and the disease it causes (now known as “COVID-19”) is having significant negative impacts throughout the world, including in California. The World Health

Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the United States, the State, and numerous counties throughout the State. The purpose behind these declarations are to coordinate and formalize emergency actions and across federal, state and local governmental agencies, and to proactively prepare for a wider spread of the virus.

To date there have been confirmed cases, and deaths from, of COVID-19 in the State, including within the Members of the Authority, and health officials are expecting the number of confirmed cases to grow. On March 19, 2020, in an effort to slow the spread of COVID-19, Governor Newsom issued Executive Order N-33-20 ordering individuals living in the State to stay home or at their place of residence except for specified exceptions.

In May 2020, the Governor outlined a phased approach to re-opening businesses in California. As a result of State and local actions taken to slow the spread of COVID-19, a number of businesses have had to close and other businesses, such as restaurants, have been permitted to stay open subject to certain conditions. These circumstances, among other market factors, have led to increased unemployment since the beginning of the COVID-19 outbreak in the United States. In addition to increased unemployment, financial markets in the United States and globally have been volatile, with significant declines attributed to coronavirus concerns.

The Authority workforce is considered essential under the Food and Agriculture sector profile included in the Essential Critical Infrastructure Workers under the Governor's Executive Order N-33-20. This classification permits the Authority workforce to be excepted from the portion of Executive Order N-33-20 that orders non-essential workers to remain in their place of residence. The Authority's workforce offers essential services to water users and landowners by providing water for the growing of agricultural crops within the Authority. The Authority continues to operate in accordance with the health guidelines established by the Counties of Stanislaus, Merced, and Fresno, the State of California, and the federal government. The Authority has continued to deliver and convey water in accordance with the Transfer Agreement.

Potential impacts to the Authority associated with the COVID-19 outbreak, and the related economic challenges, could include, but are not limited to, a decrease in the value of crops cultivated on land within the Authority, the diminishment of the value of farm lands located within the boundaries of Authority Members, the fallowing of certain lands due to decreased demand for crops cultivated within the Authority and the spoilage of crops due to disruptions in the agricultural labor force or the infrastructure supporting the movement of crops from the Authority. Such potential impacts of the COVID-19 outbreak could result in a decrease in demand for the Authority's water, which could result in a decrease in the Authority's Water System revenues. In addition, potential declines in property values in the Authority may affect the ability or willingness of landowners to pay acreage charges or assessments.

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of COVID-19 on the operations and finances of the Authority, its Members, FWA or the Friant Division Contractors is unknown and there can be no assurance that the outbreak of COVID-19 will not affect the Member's ability to pay OM&R rates and the Authority's ability to pay the Bonds.

Cyber Security

Municipal agencies, like other business entities, face significant risks relating to the use and application of computer software and hardware. Recently, there have been significant cyber security incidents affecting municipal agencies, including a freeze affecting computer systems of the City of Atlanta, an attack on the City of Baltimore's 911 system, an attack on the Colorado Department of Transportation's computers and an attack that resulted in the temporary closure of the Port of Los Angeles' largest terminal.

The Authority employs a multi-level cyber protection scheme that includes firewalls, anti-virus software, anti-spam/malware software, intrusion protection and domain name system filtering software. In addition, the Authority contracts with third party vendors to monitor and augment internal monitoring of the Authority's computer systems. The third-party vendor performs services for the Authority on a monthly basis in which they perform penetration testing, review malware and antivirus logs and perform secondary backup. To date, the Authority has not experienced an attack on its computer operating systems. However, there can be no assurance that a future attack or attempted attack would not result in disruption of Authority operations. The Authority expects that any such disruptions would be temporary in nature.

Bond Insurance and Debt Service Reserve Insurance Policies

In the event of default of the payment of the scheduled principal of or interest the Bonds when all or some becomes due, the Trustee on behalf of any owner of the Bonds shall have a claim under the related Policy for such payments. The Insurer may direct and must consent to any remedies with respect to the Bonds and the Insurer's consent may be required in connection with amendments to any applicable documents relating to the Bonds. See Appendix D—"DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE OM&R MASTER RESOLUTION AND THE INDENTURE—Events of Default." In addition, in the event of insufficient OM&R Revenues to pay the scheduled principal of or interest on the Bonds when due, the Trustee shall draw upon the Reserve Surety Policy for all or a portion of such payments. See Appendix D under the caption "—OM&R Revenues, Funds and Accounts; Payment of Principal and Interest—Reserve Fund."

The long-term ratings on the Bonds are dependent in part on the financial strength of the Insurer and its claims paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and the ratings on the Bonds will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The obligations of the Insurer are unsecured contractual obligations and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the Authority nor the Underwriter have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Authority to make the payments on the applicable series of Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" in the Official Statement for further information regarding the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer. See "SECURITY FOR THE BONDS—The Reserve Fund Insurance Policy" for additional information with respect to the Reserve Fund Insurance Policy deposited in the Reserve Fund for the benefit of the Bonds.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON APPROPRIATIONS AND FEES

Article XIII B

The State Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if: (i) the financial responsibility for a service is transferred to another public entity or to a private entity; (ii) the financial source for the provision of services is transferred from taxes to other

revenues; or (iii) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations subject to Article XIII B generally include the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions and refunds of taxes. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to an entity of government from: (a) regulatory licenses, user charges, and user fees (but only to the extent that such proceeds exceed the cost of providing the service or regulation); and (b) the investment of tax revenues. Article XIII B includes a requirement that if an entity’s revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters and payments required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the providing of existing services more costly.

The Authority is of the opinion that the rates imposed by the Authority do not exceed the costs that the Authority reasonably bears in operating the Project Works under the Transfer Agreement. The Authority has covenanted in the OM&R Master Resolution that, to the fullest extent permitted by law, it will prescribe rates and charges sufficient to pay Operation and Maintenance Obligations, including the Bonds. See the caption “SECURITY FOR THE BONDS—Rate Covenant.”

Proposition 218

General. An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the State Constitution. According to the “Title and Summary” of the Initiative prepared by the State Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.”

Article XIII D. Article XIII D defines the terms “fee” and “charge” to mean “any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service.” A “property-related service” is defined as “a public service having a direct relationship to property ownership.” Article XIII D further provides that reliance by an agency on any parcel map (including an assessor’s parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIII D requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for water service is ultimately determined to be a “fee” or “charge” as defined in Article XIII D, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIII D includes a number of limitations applicable to existing fees and charges, including provisions to the effect that: (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by,

or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

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

Article XIID conditions the imposition or increase of any “fee” or “charge” upon there being no written majority protest after a required public hearing and, for fees and charges other than for sewer, water or refuse collection services, voter approval. Article XIID defines “fee” or “charge” to mean levies (other than ad valorem or special taxes or assessments) imposed by a local government upon a parcel or upon a person as an incident of the ownership or tenancy of real property, including a user fee or charge for a “property-related service.” One of the requirements of Article XIID is that before a property-related fee or charge may be imposed or increased, a public hearing upon the proposed fee or charge must be held and mailed notice sent to the record owner of each identified parcel of land upon which the fee or charge is proposed for imposition. In the public hearing if written protests of the proposed fee or charge are presented by a majority of the owners of affected identified parcel(s), an agency may not impose the fee or charge.

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the California Supreme Court, it was generally believed that Article XIID did not apply to charges for water services that are “primarily based on the amount consumed” (i.e., metered water rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The Supreme Court stated in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal.4th 205 (2006) (the “Bighorn Case”), however, that fees for ongoing water service through an existing connection were property-related fees and charges. The Authority and Authority General Counsel do not believe Authority rates are subject to the substantive and procedural requirements of Article XIID.

On April 20, 2015, the California Court of Appeal, Fourth District, issued an opinion in *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano* upholding tiered water rates under Proposition 218 provided that the tiers correspond to the actual cost of furnishing service at a given level of usage. The opinion was specific to the facts of the case, including a finding that the City of San Juan Capistrano did not attempt to calculate the actual costs of providing water at various tier levels. The Authority’s OM&R rates are described in this Appendix A under the captions “THE AUTHORITY—Fiscal Year 2021 OM&R Rates” and “—Historic OM&R Rates.” The Authority does not currently expect the decision to affect its OM&R rate structure. The Authority is not subject to the substantive or procedural requirements of Proposition 218.

Article XIIC. Article XIIC provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge, and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIIC does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIID referred to above are applicable to Article XIIC. Moreover, the provisions of Article XIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the State Supreme Court held in the *Bighorn Case* that the provisions of Article XIIC included rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations. The Authority does not believe that Article XIIC grants to the voters within the service territory of the Authority the power to repeal or reduce Authority OM&R Revenues in a manner that would be inconsistent with the contractual obligations of the Authority. However, there can be no assurance of the availability of particular remedies adequate to protect the Authority. Remedies available to the Authority

are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain.

The rights and obligations with respect to the Bonds, the Indenture, the Transfer Agreement, the Friant MOU and the OM&R Master Resolution are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State. The various opinions of counsel to be delivered with respect to such documents will be similarly qualified.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The Authority does not believe that the enactment of Proposition 26 affects its ability to collect OM&R Revenues.

Future Initiatives

Articles XIII B, XIII C and XIID were adopted as a measure that qualified for the ballot pursuant to the State's initiative process. From time to time other initiatives could be proposed and adopted affecting the Authority's OM&R Revenues or ability to increase OM&R Revenues.

APPENDIX B

**SAN LUIS & DELTA-MENDOTA WATER AUTHORITY FINANCIAL STATEMENTS FOR
FISCAL YEAR ENDING FEBRUARY 29, 2020
AND INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROLS AND COMPLIANCE**

APPENDIX C

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE OM&R MASTER RESOLUTION AND THE INDENTURE

The following is a summary of certain provisions of the OM&R Master Resolution and the Indenture which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the respective document for a full and complete statement of the provisions thereof.

[TO BE PREPARED BY BOND COUNSEL]

APPENDIX D

TRANSFER AGREEMENT

[TO BE INSERTED BY BOND COUNSEL]

APPENDIX E

FRIANT MOU

[TO BE INSERTED BY BOND COUNSEL]

APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon execution and delivery of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

_____, 2021

San Luis & Delta-Mendota Water Authority
P.O. Box 2157
Los Baños, California 93635

Members of the Board of Directors:

We have examined a certified copy of the record of the proceedings of the San Luis & Delta-Mendota Water Authority (the “Authority”) relative to the issuance and sale of the \$_____ Revenue Bonds (OM&R Project), Series 2021A, dated the date hereof (the “Bonds”), and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the Authority, the initial purchaser of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds are being issued pursuant to an Indenture of Trust (the “Indenture”), dated as of January 1, 2021, by and between the Authority and MUFG Union Bank, N.A., as trustee (the “Trustee”). The Bonds mature on the date and in the amount referenced in the Indenture. The Bonds are dated their date of delivery and bear interest payable at maturity, at the rate per annum referenced in the Indenture. The Bonds are registered in the form set forth in the Indenture.

Based on our examination as Bond Counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. The proceedings of the Authority show lawful authority for the issuance and sale of the Bonds under the laws of the State of California now in force, and the Indenture has been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery by the Trustee, as appropriate, the Bonds and the Indenture are valid and binding obligations of the Authority enforceable against the Authority in accordance with their terms.

2. The obligation of the Authority to make the payments of principal of and interest on the Bonds from OM&R Revenues (as defined in the Indenture) is an enforceable obligation of the Authority and does not constitute an indebtedness of the Authority in contravention of any constitutional or statutory debt limit or restriction.

3. Interest on the Bonds is exempt from State of California personal income tax.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture permits certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention

to the fact that the rights and obligations under the Indenture and the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

By delivering this opinion, we are not expressing any 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 Bonds or the Indenture, nor are we expressing any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on any assets thereunder.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX G

INFORMATION CONCERNING THE DEPOSITORY TRUST COMPANY

The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority and the Underwriter believe to be reliable, but neither the Authority nor the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such annual maturity, 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts

such Bonds 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

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

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX H

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon the execution and delivery of the Bonds, San Luis & Delta-Mendota Water Authority proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

[TO BE INSERTED BY BOND COUNSEL]

APPENDIX I

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

[TO BE INSERTED BY BOND COUNSEL]