

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. 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 prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2022

NEW ISSUE - FULL BOOK ENTRY ONLY

RATINGS: Insured: S&P: “ ”
Underlying: S&P: “ ”

(See “CONCLUDING INFORMATION — Ratings” herein)

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the tax covenants, including with respect to the 2022B Bonds, the satisfaction of certain terms and conditions provided in the 2022B Bond Purchase Agreement as described under the heading “FORWARD DELIVERY OF THE 2022B BONDS” described herein, and the accuracy of certain representations and certifications made by the Authority and the City described herein, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel, is also of the opinion that interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. Bond Counsel is further of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California (“State”) under present law. See “TAX MATTERS” herein regarding certain other tax consequences.

§ _____
COACHELLA WATER AUTHORITY
WATER REVENUE REFUNDING BONDS,
2022A SERIES

§ _____*
COACHELLA WATER AUTHORITY
WATER REVENUE REFUNDING BONDS,
2022B SERIES (FORWARD DELIVERY)

Dated: Date of Delivery

Due: August 1, as shown herein

The above-captioned Water Revenue Refunding Bonds, 2022A Series (the “2022A Bonds”) and the Water Revenue Refunding Bonds, 2022B (the “2022B Bonds”) and together with the 2022A Bonds, the “Bonds”) are being issued by the Coachella Water Authority (the “Authority”) pursuant to separate Indentures of Trust, dated as of [February] 1, 2022 and [May] 1, 2022, respectively (each, an “Indenture” and together the “Indentures”) both by and between the Authority and Wilmington Trust, National Association, Costa Mesa, California (the “Trustee”), and will be secured as described herein. The 2022A Bonds are being issued to (a) refund certain prior obligations of the Authority, (b) finance certain improvements to the Water Enterprise, and (c) pay the costs of issuance of the 2022A Bonds. The 2022B Bonds are being issued to (a) refund certain prior obligations of the Authority, and (b) pay the costs of issuance of the 2022B Bonds. See “THE FINANCING PLAN,” “THE WATER ENTERPRISE” and “ESTIMATED SOURCES AND USES OF FUNDS” herein. Definitions of certain capitalized terms herein are contained in APPENDIX A hereto, and are incorporated herein by reference.

The Bonds will be executed and delivered as fully registered certificates in book-entry form only, initially registered in the name of Cede & Co., New York, New York, as nominee of The Depository Trust Company (“DTC”), New York, New York. Purchasers will not receive certificates representing their interest in the Bonds. Individual purchases of the Bonds will be in principal amounts of \$5,000 or in any integral multiples of \$5,000. Interest payable with respect to the Bonds will be payable on February 1 and August 1 in each year, beginning August 1, 2022 (the “Interest Payment Dates”), and principal payable with respect to the Bonds will be paid on the dates set forth in the Maturity Schedule on the inside cover. Payments of principal of and interest on the Bonds will be paid by the Trustee, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial Owners of the Bonds.

Payment of principal of and interest on the Bonds (the “Debt Service Payments”) are a special limited obligation of the Authority, payable from and secured by a pledge of and first lien on all Net Revenues (defined herein) of the Water Enterprise. Subject to certain conditions set forth in the Indenture, the Authority may at any time incur revenue bonds, notes or other evidences of indebtedness of the Authority payable from Net Revenues on parity with or subordinate to the Bonds and Parity Obligations.

The 2022A Bonds are subject to redemption as described herein*. See “THE BONDS — Redemption of the 2022A Bonds” herein. The 2022B Bonds are not subject to redemption prior to maturity. See “THE BONDS — No Redemption of the 2022B Bonds herein.

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 “BOND INSURANCE” herein.

[INSERT INSURER LOGO]

THE OBLIGATION OF THE AUTHORITY TO MAKE PAYMENTS OF PRINCIPAL OF AND INTEREST ON THE BONDS IS A SPECIAL OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY NET REVENUES AND OTHER FUNDS PROVIDED FOR IN THE RESPECTIVE INDENTURE. NONE OF THE AUTHORITY, THE CITY OF COACHELLA (THE “CITY”), THE STATE OF CALIFORNIA, NOR ANY OF THEIR POLITICAL SUBDIVISIONS SHALL BE DIRECTLY, INDIRECTLY, OR CONTINGENTLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS TO PAY ALL OR ANY PORTION OF THE DEBT SERVICE DUE ON THE BONDS, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATSOEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE BONDS ARE NOT SECURED BY A LIEN ON THE PHYSICAL ASSETS OF THE AUTHORITY OR OF THE CITY. THE BONDS ARE NOT A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS NOR DO THEY CONSTITUTE INDEBTEDNESS IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. NO PERSON EXECUTING THE BONDS IS SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THEIR ISSUANCE.

This cover page contains information for general reference only. It is not a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement, including the section entitled “RISK FACTORS,” for a discussion of special factors which should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Bonds. Capitalized terms used but not defined on the front cover of this Official Statement shall have the meanings set forth herein.

MATURITY SCHEDULE
(See Inside Front Cover)

The Bonds are offered when, as and if sold and issued, subject to the approval as to their legality by Nixon Peabody LLP, Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon by the City Attorney of the City of Coachella, California as counsel for the Authority, and by Nixon Peabody LLP, Los Angeles, California, Disclosure Counsel. The Underwriter is being represented by its counsel, Kutak Rock LLP, Irvine, California. It is anticipated that the 2022A Bonds and the 2022B Bonds in book-entry form, will be available for delivery through the facilities of DTC, on or about _____, 2022 and _____, 2022, respectively. Potential investors should carefully review the information under the caption “FORWARD DELIVERY OF THE 2022B Bonds – Certain Considerations Regarding Forward Delivery of the 2022B Bonds” herein.

[STIFEL]

Date: _____, 2022

MATURITY SCHEDULE

\$ _____
COACHELLA WATER AUTHORITY
WATER REVENUE REFUNDING BONDS,
2022A SERIES

Base CUSIP®: _____

\$ _____ Serial Bonds

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP®</u>
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\$ _____ % Term Bonds Due August 1, ____; Yield - ____%; Price - ____%; CUSIP® - ____

\$ _____ % Term Bonds Due August 1, ____; Yield - ____%; Price - ____%; CUSIP® - ____

\$ _____*
COACHELLA WATER AUTHORITY
WATER REVENUE REFUNDING BONDS,
2022B SERIES

Base CUSIP®: _____

\$ _____ Serial Bonds

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP®</u>
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**CITY OF COACHELLA
COACHELLA WATER AUTHORITY**

CITY COUNCIL/AUTHORITY BOARD MEMBERS/ELECTED OFFICIALS

Steven Hernandez, *Mayor/President*
Josie Gonzalez, *Mayor Pro Tem/Vice President*
Neftali Galarza, *Council Member/Board Member*
Megan Beaman Jacinto, *Council Member/Board Member*
Denise Delgado, *Council Member/Board Member*
Arturo Aviles, *City Treasurer*
Angela M. Zepeda, *City Clerk and Authority Secretary*

CITY/AUTHORITY STAFF

Dr. Gabriel Martin, *City Manager/Executive Director*
Nathan Statham, *Finance Director/Treasurer*
Cástulo R. Estrada, *Utilities Manager*
Carlos Campos, *City Attorney and Authority Counsel*

SPECIAL SERVICES

BOND AND DISCLOSURE COUNSEL

Nixon Peabody LLP
Los Angeles, California

MUNICIPAL ADVISOR

Urban Futures, Inc.
Tustin, California

TRUSTEE

Wilmington Trust, National Association
Costa Mesa, California

VERIFICATION AGENT

Causey Demgen & Moore P.C.
Denver, Colorado

[MAP]

No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriter to give any information or to make any representations other than those contained herein 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.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)2 and 3(a)12, respectively, for the issuance and sale of such municipal securities. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein includes information obtained from sources which are believed to be reliable. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof. See “INTRODUCTION—Forward-Looking Statements” herein. This Official Statement is submitted with respect to the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the Authority. All summaries of the Indentures and other documents are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors and under 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.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT 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.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access (EMMA) web site. The City also maintains a web site which may describe the Authority. However, the information presented therein is not part of this Official Statement and must not be relied upon in making an investment decision with respect to the Bonds.

References to web site 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 web sites 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.

[] (“ ”) 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 the Insurer supplied by the Insurer and presented under the heading “BOND INSURANCE” herein and “APPENDIX H — SPECIMEN MUNICIPAL BOND INSURANCE POLICY” hereto.

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OFFICIAL STATEMENT

\$ _____
COACHELLA WATER AUTHORITY
WATER REVENUE REFUNDING BONDS,
2022A SERIES

\$ _____*
COACHELLA WATER AUTHORITY
WATER REVENUE REFUNDING BONDS,
2022B SERIES

INTRODUCTION

General

The purpose of this Official Statement (which includes the cover page and the Appendices attached hereto) is to provide information concerning the issuance of the above-captioned Water Revenue Refunding Bonds, 2022A Series (the “2022A Bonds”) and the Water Revenue Refunding Bonds, 2022B Series (the “2022B Bonds,” and together with the 2022A Bonds, the “Bonds”). The 2022A Bonds and 2022B Bonds are being issued by the Coachella Water Authority (the “Authority”) pursuant to the provisions of separate Indentures of Trust, dated as of [February] 1, 2022 and [May] 1, 2022, respectively (each an “Indenture” and together, the “Indentures”), each by and between the Authority and Wilmington Trust, National Association, as trustee (the “Trustee”). The Bonds will be issued pursuant to the provisions of Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended (the “Bond Law”), and a resolution of the Authority adopted on _____, 2021 (the “Resolution”).

The City, the Authority and the Water Enterprise

The City is located in Riverside County, in the center of the Coachella Valley, approximately 134 miles east of Los Angeles, 553 miles south of San Francisco and 22 miles southeast of Palm Springs. Coachella covers an area in excess of 19 square miles at an average elevation of 67 feet below sea level.

Incorporated in 1946, the City operates as a general law city. It has a council-manager form of government, with four City Council members and the Mayor elected at large for staggered four-year terms.

The Authority is a joint powers agency organized and existing under and by virtue of Articles 1 through 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code, as amended. The City and the Successor Agency to the Coachella Redevelopment Agency (the “Agency”) entered into a Joint Exercise of Powers Agreement dated as of July 1, 2003 to establish the Authority. The Authority is governed by a Board of Directors (the “Authority Board”) of five Members comprised of the same individuals who comprise the City Council of the City. The Authority was created for the purpose, among other things, of providing financing relating to any utility system or service through the lease, acquisition or construction by the Authority of such public capital improvements. Under the Bond Law, the Authority has the power to issue bonds to pay the costs of public capital improvements.

The Authority has leased from the City of Coachella (the “City”) the water system (the “Water Enterprise”) of the City pursuant to a Lease Agreement, dated as of July 1, 2003 (the “Lease Agreement”). The Water Enterprise is comprised of three reservoirs, three wells, two booster pump stations and a water distribution system with approximately 634,000 linear feet of distribution pipelines. See “THE WATER ENTERPRISE” herein. Pursuant to the Water Enterprise Management Agreement, dated as of July 1, 2003 (the “Management Agreement”), the City operates and maintains the Water Enterprise on behalf of the Authority.

For other information concerning the City, the Authority and the Water Enterprise, see “THE WATER ENTERPRISE” and “ENTERPRISE FINANCIAL INFORMATION” herein. For other selected demographic and economic information, see “APPENDIX B—GENERAL INFORMATION REGARDING THE CITY OF COACHELLA” hereto. A copy of the audited financial statements of the City for the year ended June 30, 2020 is attached hereto as APPENDIX C.

The Bonds

The Bonds will be executed and delivered as fully registered certificates in book-entry form only, initially registered in the name of Cede & Co., New York, New York, as nominee of The Depository Trust Company (“DTC”), New York, New York. Purchasers will not receive certificates representing their interest in the Bonds. Individual purchases of the Bonds will be in principal amounts of \$5,000 or in any integral multiples of \$5,000. Interest payable with respect to the Bonds will be payable on February 1 and August 1 in each year, beginning August 1, 2022 (the “Interest Payment Dates”), and principal payable with respect to the Bonds will be paid on the dates set forth in the Maturity Schedules on the inside cover. Payments of principal of and interest on the Bonds will be paid by the Trustee, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial Owners of the Bonds.

The 2022A Bonds are subject to optional and mandatory sinking fund redemption prior to their scheduled payment dates as described herein. See “THE BONDS—Redemption of the 2022A Bonds” herein. The 2022B Bonds are not subject to redemption prior to their scheduled payment dates. See “THE BONDS—No Redemption of the 2022B Bonds” herein.

Purpose

The 2022A Bonds are being issued by the Authority to (a) refund certain prior obligations of the Authority, (b) finance certain improvements to the Water Enterprise, and (c) pay the costs of issuance of the 2022A Bonds. The 2022B Bonds are being issued by the Authority to (a) refund certain prior obligation of the Authority, and (b) pay the costs of issuance of the 2022B Bonds. See “THE FINANCING PLAN,” “THE WATER ENTERPRISE,” “ESTIMATED SOURCES AND USES OF FUNDS” and “FORWARD DELIVERY OF THE 2022B BONDS” herein.

Security for the Bonds

The Bonds, when issued, will be special, limited obligations of the Authority, secured by a first pledge, charge and lien upon Net Revenues (defined herein) of the Water Enterprise. Net Revenues are held in the Bond Fund of the Authority under each Indenture. See “SECURITY FOR THE BONDS” herein.

Subject to certain conditions set forth in each Indenture, the Authority may at any time incur revenue bonds, notes or other evidences of indebtedness of the Authority payable from Net Revenues on parity with or subordinate to the Bonds and Parity Obligations. See “SECURITY FOR THE BONDS—Issuance of Parity Obligations” herein.

Pursuant to each Indenture, the Authority has covenanted to fix, prescribe and collect certain rates and charges for service provided by the Water Enterprise. See “SECURITY FOR THE BONDS—Rate Covenant” herein.

The Authority is not funding a debt service reserve fund for the Bonds.

Bond Insurance

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy (the “Insurance Policy”) to be issued concurrently with the delivery of the Bonds by [] (the “Insurer” or “[]”). See “BOND INSURANCE” herein and “APPENDIX H—SPECIMEN MUNICIPAL BOND INSURANCE POLICY” hereto.

Risk Factors

Payment of debt service on the Bonds depends primarily upon the generation and collection of Net Revenues. There can be no assurance that the demand for the services provided by the Water Enterprise will be maintained at levels described in this Official Statement, or that the expenses for operating and maintaining the Water Enterprise will be consistent with the levels described in this Official Statement. Changes in technology, decreased demand, new regulatory requirements, increases in the cost of energy or other expenses would reduce Net Revenues, and could require the City to implement substantial increases in Enterprise rates or charges in order to comply with the rate covenant. Such rate increases could increase the likelihood of nonpayment by Enterprise customers, and could also cause further decreases in customer demand.

See “RISK FACTORS” herein for a discussion of special factors which should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Bonds, including a discussion of the impact of Proposition 218, Constitutional limits on fees and charges, seismic considerations, limitation on remedies and changes in law.

Limited Obligations

THE OBLIGATION OF THE AUTHORITY TO MAKE PAYMENTS OF PRINCIPAL OF AND INTEREST ON THE BONDS IS A SPECIAL OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY NET REVENUES AND OTHER FUNDS PROVIDED FOR IN THE INDENTURE. NONE OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA (THE “STATE”), NOR ANY OF ITS POLITICAL SUBDIVISIONS SHALL BE DIRECTLY, INDIRECTLY, OR CONTINGENTLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS TO PAY ALL OR ANY PORTION OF THE DEBT SERVICE DUE ON THE BONDS, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATSOEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE BONDS ARE NOT SECURED BY A LIEN ON THE PHYSICAL ASSETS OF THE AUTHORITY OR THE CITY. THE BONDS ARE NOT A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS NOR DO THEY CONSTITUTE INDEBTEDNESS IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. NO PERSON EXECUTING THE BONDS IS SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THEIR ISSUANCE.

Tax Matters

In the opinion of Nixon Peabody LLP, Bond Counsel (“Bond Counsel”), under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Authority and the City described herein, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is also of the opinion that interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. Bond Counsel is further of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California (“State”) under present law. See “TAX MATTERS” herein regarding certain other tax consequences. See “FORWARD DELIVERY OF THE 2022B BONDS – Certain Considerations Regarding Forward Delivery of the 2022B Bonds” below.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the 2022A Bonds and the 2022B Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about [____], 2022 (the “Closing Date”) and [____], 2022 (the “Settlement Date”), respectively. The 2022B Bonds will be issued pursuant to a forward delivery arrangement. See “FORWARD DELIVERY OF THE 2022B BONDS – Certain Considerations Regarding Forward Delivery of the 2022B Bonds” below.

Continuing Disclosure

The Authority will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the Water Enterprise and to provide notices of the occurrence of certain enumerated events, in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the “Rule”). See “CONTINUING DISCLOSURE” herein for additional information regarding the Authority’s continuing disclosure obligations and prior compliance therewith. The specific nature of the information to be made available and the notices of listed events required to be provided are described in “APPENDIX E—FORM OF CONTINUING DISCLOSURE AGREEMENTS” herein.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement (including the appendices hereto), including, but not limited to (i) statements containing projections of Net Revenues and other financial items, (ii) statements of future economic performance of the Water Enterprise, and (iii) statements of the assumptions underlying or relating to statements described in (i) and (ii) above, 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,” “intend,” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the Water Enterprise herein.

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. NEITHER THE AUTHORITY NOR THE CITY PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Professionals Involved in the Offering

Nixon Peabody LLP, Los Angeles, California, is acting as Bond Counsel with respect to the Bonds. Certain legal matters will be passed upon by the City Attorney for the City of Coachella, as counsel to the Authority, and by Nixon Peabody LLP, Los Angeles, California, Disclosure Counsel. The Underwriter is being represented by its counsel, Kutak Rock LLP, Irvine, California. Fees payable to Bond Counsel, Disclosure Counsel and Underwriter's Counsel are contingent upon the execution and delivery of the Bonds.

Other Information

This Official Statement is not to be construed as a contract or agreement between the Authority, the City, and/or the purchasers or Owners of any of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Quotations from and summaries and explanations of the California Government Code, other applicable legislation, the Indentures, the Water Enterprise, proceedings of the Authority and the City with respect to the operations thereof and with respect to the Bonds, agreements and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions. Prospective purchasers of the Bonds are advised to refer to such documents, provisions, and reports for full and complete statements of their contents. References herein to each series of Bonds are qualified in their entirety by reference to the form thereof included in the applicable Indenture. Copies of the proceedings of the Authority referred to above, each Indenture and other documents described in this Official Statement are available for inspection at the offices of the Authority at: [53990 Enterprise Way, Coachella, California 92236, Attention: Finance Director]. The Authority may impose a charge for copying, mailing and handling.

Certain of the information set forth herein, other than that provided by the Authority, 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 Authority. The information and expressions 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 or the City since the date hereof.

THE FINANCING PLAN

The Refunding Plan

A portion of the net proceeds of the 2022A Bonds will be used to redeem on the delivery date of the 2022A Bonds all of the Authority's \$5,000,000 Water Revenue Bonds (USDA) Series 2008 (the "Series 2008 Bonds"), of which \$4,182,110 is currently outstanding.

Upon the forward delivery of the 2022B Bonds on or about [May] 1, 2022, a portion of the proceeds from the sale of the 2022B Bonds, together with certain other available funds, will be used to

refund all of the Authority’s \$10,435,000 Water Revenue Refunding Bonds, 2012 Series (the “2012 Bonds”), of which \$6,570,000 is currently outstanding.

In order to effectuate the refunding of the 2012 Bonds, a portion of the proceeds from the sale of the 2022B Bonds will be deposited into an escrow fund (the “Escrow Fund”) and used to defease the 2012 Bonds in accordance with the terms of the Escrow Agreement, dated as of May 1, 2022 (the “Escrow Agreement”), by and between the Authority and U.S. Bank National Association, as defeased bonds trustee and escrow agent (the “Escrow Agent”). Pursuant to the Escrow Agreement, moneys on deposit in the Escrow Fund will be held as cash or invested solely in permitted Escrow Securities, as such term is defined in the Escrow Agreement. The cash and Escrow Securities, together with the interest accrued with respect thereto, will be held by the Escrow Agent and applied in accordance with the terms of the Escrow Agreement (i) to pay in a timely manner the principal of and interest on the 2012 Bonds on August 1, 2022, and (ii) to pay the redemption price of the outstanding 2012 Bonds, maturing on and after August 1, 2023, on August 1, 2022, which is the first optional redemption date therefor.

Upon delivery of the 2022B Bonds, Causey Demgen & Moore P.C. will deliver a report verifying the mathematical accuracy of certain computations concerning (i) the adequacy of the maturing principal amounts of and interest on the Escrow Securities to, together with the cash on deposit in the Escrow Fund, defease the outstanding 2012 Bonds in full on the date of delivery of the 2022B Bonds, as described herein, and (ii) the yield on the 2022B Bonds and on such Escrow Securities considered by Bond Counsel in their determination that the interest on the 2022B Bonds is excluded from gross income for federal income tax purposes. Upon the establishment and funding of the Escrow Fund as described above, the lien of the Indenture of Trust pursuant to which the 2012 Bonds were issued will cease, terminate, and become void with respect to the 2012 Bonds, except for the rights of the owners of the 2012 Bonds to payments from the Escrow Fund.

The refunding of the 2012 Bonds is conditioned upon the receipt of proceeds of the 2022B Bonds, which is subject to the conditions of the Forward Delivery 2022B Bond Purchase Agreement. See “FORWARD DELIVERY OF THE 2022B BONDS– Certain Considerations Regarding Forward Delivery of the 2022B Bonds”

Capital Projects

Certain proceeds of the 2022A Bonds will be used to finance certain improvements to the Water Enterprise. Such potential improvement projects include the construction of a new well, Well No. 20, which will provide the needed additional firm capacity and fire flow in the 150 zone while meeting increasing demand and replacing Well No. 11. Four potential sites for construction of Well No. 20 have been identified, however final site selection is contingent on ongoing site analysis. Well design and construction costs are estimated to be \$3,000,000. One-half of the Well No. 20 costs are considered to be capacity expansion and will be funded with development impact fee funds (connection charges). Proceeds not used in the construction of Well No. 20 may be used to complete interior relining of a 3.6 million gallon (“MG”) reservoir and/or fund the City’s scheduled transition from 3G automated meter reading meters to 4G advanced metering infrastructure meters. All three projects are included in the City’s Fiscal Year 2021-22 capital improvement projects budget.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are as follows:

Sources of Funds:	<u>2022A Bonds</u>	<u>2022B Bonds</u>
Principal Amount of Bonds		
Net Original Issue Premium/Discount		
TOTAL SOURCES		
Uses of Funds:		
Refunding of the Series 2008 Bonds		
Deposit to Escrow Fund		
Deposit to Project Fund		
Costs of Issuance ⁽¹⁾		
TOTAL USES		

(1) Reflects all costs of issuance, including the Underwriter's discount and the printing costs, fees of Bond Counsel, Disclosure Counsel, the Authority's Counsel, the costs and fees of the Municipal Advisor, Verification Agent, Trustee, premiums for the Insurance Policy, and other costs of issuing the Bonds.

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SCHEDULE OF DEBT SERVICE PAYMENTS

The following table sets forth the payment of principal and interest on the Bonds for each twelve-month period ending on August 1 (assuming no early redemptions):

<u>Year</u> <u>(August 1)</u>	<u>2022A</u> <u>Principal</u>	<u>2022A</u> <u>Interest</u>	<u>2022A Total</u> <u>Debt Service</u>	<u>2022B</u> <u>Principal</u>	<u>2022B</u> <u>Interest</u>	<u>2022B Total</u> <u>Debt Service</u>	<u>Total Debt</u> <u>Service</u>
	\$	\$		\$	\$		\$
Total	\$	\$	\$	\$	\$	\$	\$

THE BONDS

Description of the Bonds

The Bonds are authorized pursuant to the Bond Law, the Indentures and the Resolution.

The Bonds shall be delivered in the form of fully registered Bonds, without coupons, in denominations of \$5,000 or any integral multiple thereof, and shall be dated the date of delivery to the initial purchaser thereof. The Bonds, when executed and delivered, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. So long as DTC, or Cede & Co. as its nominee, is the registered owner of all Bonds, all payments with respect to the Bonds will be made directly to DTC, and disbursement of such payments to the DTC Participants (defined below) will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (defined below) will be the responsibility of the DTC Participants, as more fully described hereinafter. See “—Book-Entry System” below.

Interest on the Bonds shall be payable on February 1 and August 1 in each year, beginning August 1, 2022 (each, an “Interest Payment Date”), and continuing to and including the date of maturity or prior redemption, whichever is earlier. Principal of the Bonds shall be payable on August 1 in each of the years and in the amounts set forth on the inside cover page of this Official Statement. Principal and premium, if any, of the Bonds shall be payable to the Owner upon presentation and surrender of such Bond at the corporate trust office of the Trustee in Costa Mesa, California. Interest on the Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day months and shall be payable by check mailed by first class mail on each Interest Payment Date to the Owners as of the close of business on the 15th day of the month (whether or not such day is a Business Day) preceding an Interest Payment Date (the “Record Date”) at their addresses shown on the registration books maintained by the Trustee; provided however, that upon the written request from any Owner of any Bond in a denomination of, or Bonds aggregating, at least \$1,000,000 in principal amount, received on or prior to the 15th day of the month preceding an applicable Interest Payment Date, payment may be made by wire transfer on the Interest Payment Date with regard to which such payment is made.

The Bonds may be transferred or exchanged at the principal office of the Trustee, to the extent and upon the conditions set forth in each Indenture. The Trustee may require the payment of a reasonable service charge by the owner of any Bond requesting exchange, and the Trustee will require payment of a sum sufficient to cover any tax or other governmental charge required to be paid with respect thereto. The Trustee may refuse to transfer or exchange any 2022A Bonds during the period established for the selection of 2022A Bonds for redemption or the portion of any 2022A Bond selected for redemption.

If a Bond is mutilated, lost, stolen or destroyed, the Trustee, at the expense of the owner of such Bond, will authenticate, subject to the provisions of each Indenture, a new Bond of like tenor and amount. In the case of a lost, stolen or destroyed Bond, the Trustee may require that an indemnity be furnished and payment of an appropriate fee for each new Bond delivered in replacement of such Bond and may require payment of the expenses of the Authority and the Trustee incurred in connection therewith.

Redemption of the 2022A Bonds

Optional Redemption of the 2022A Bonds. The 2022A Bonds maturing on or before August 1, ____, shall not be subject to optional redemption prior to their respective stated maturities. The 2022A Bonds maturing on or after August 1, ____, are subject to redemption prior to their respective stated maturities, at the option of the Authority, from any source of available funds, as a whole or in part (by such maturities as may be specified by the Authority and by lot within a maturity, or, if the Authority fails

to designate such maturities, then in inverse order of maturity) on any date on or after August 1, ____, at a redemption price equal to the principal amount of 2022A Bonds called for redemption, without premium, together with accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption of the 2022A Bonds. The 2022A Bonds maturing August 1, ____ shall be subject to mandatory sinking fund redemption in part, by lot, commencing on August 1, ____, from mandatory sinking fund payments set aside in the Sinking Fund Account, a subaccount of the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, in the aggregate respective principal amounts and on the dates set forth below:

2022A Bonds maturing August 1, ____

<u>Redemption Date (August 1)</u>	<u>Redemption Amount</u>
	\$
†	
<u>† Maturity</u>	

The 2022A Bonds maturing August 1, ____ shall be subject to mandatory sinking fund redemption in part, by lot, commencing on August 1, ____, from mandatory sinking fund payments set aside in the Sinking Fund Account, a subaccount of the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, in the aggregate respective principal amounts and on the dates set forth below:

2022A Bonds maturing August 1, ____

<u>Redemption Date (August 1)</u>	<u>Redemption Amount</u>
	\$
†	
<u>† Final Maturity</u>	

Special Mandatory Redemption. The 2022A Bonds are subject to redemption as a whole or in part, on any date, from and to the extent insurance proceeds received with respect to the Water Enterprise are not used to repair, rebuild or replace the Water Enterprise, or from and to the extent of eminent domain proceeds received with respect to the Water Enterprise are elected for such use by the Authority, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

Selection of 2022A Bonds for Redemption. Whenever provision is made for the redemption of less than all of the 2022A Bonds, the Trustee shall select the 2022A Bonds for redemption among maturities, in inverse order of maturity or at the direction of the Authority, on a pro rata basis and by lot within a maturity in any manner which the Trustee in its sole discretion shall deem appropriate and fair. For purposes of such selection, the Trustee shall treat each 2022A Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate 2022A Bond

Notice of Redemption. The Trustee will (i) mail a notice of redemption to the respective Owners of all 2022A Bonds selected for redemption in whole or in part, and (ii) remit a notice of redemption to DTC and the Municipal Securities Rulemaking Board's (the "MSRB") Electronic Municipal Market Access system ("EMMA"), or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the Authority may specify. Such notice will state the date of such notice, the 2022A Bonds to be redeemed, the date of issue of such 2022A Bonds, the redemption date, the redemption price, the place of redemption (including the name and appropriate address of the Trustee), the CUSIP number of the maturity or maturities and, if less than all of the 2022A Bonds of any such maturity are to be redeemed, the numbers of the 2022A Bonds of such maturity to be redeemed and, in the case of 2022A Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and will give notice that further interest on such 2022A Bonds or the portions thereof to be redeemed will not accrue from and after the redemption date, and will require that such 2022A Bonds be then surrendered for redemption at the address of the Trustee so designated; provided, that neither the Authority nor the Trustee will have any responsibility for any defect in the CUSIP number that appears on any 2022A Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee will be liable for any inaccuracy in such numbers. If any 2022A Bond chosen for redemption will not be redeemable in whole, such notice will also state that such 2022A Bond is to be redeemed in part only and that upon presentation of such 2022A Bond for redemption there will be issued in lieu of the unredeemed portion of principal thereof a new 2022A Bond or 2022A Bonds of the same maturity date of authorized denominations equal in aggregate principal amount to such unredeemed portion. In the event of an optional redemption of 2022A Bonds, the Trustee will mail a notice of redemption only after receipt of a Written Request of the Authority; provided, that if the Authority will not have deposited or otherwise made available to the Trustee the money required for the payment of the redemption price of the 2022A Bonds to be redeemed at the time of such mailing, such notice of redemption will state that the redemption is expressly conditioned upon the timely deposit of sufficient funds for such purpose with the Trustee.

Subject to the provisions stated above, the Trustee shall take the following actions with respect to such Redemption Notice: (a) At least twenty (20) but not more than sixty (60) days prior to the redemption date the Trustee shall cause Redemption Notices to be given to the respective Owners of 2022A Bonds designated for redemption by first class mail, postage prepaid, at their addresses appearing on the Bond Register maintained by the Trustee and (b) at least twenty (20) but not more than sixty (60) days prior to the redemption date, such Redemption Notice shall be given to each of DTC and EMMA or, in accordance with then current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the Authority may specify. Neither failure to receive any Redemption Notice nor any defect in such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of such 2022A Bonds.

Effect of Notice of Redemption. Notice of redemption having been duly given and moneys for payment of the redemption price of, together with interest accrued to the redemption date on, the 2022A Bonds (or portions thereof) so to be redeemed being held by the Trustee, on the redemption date

designated in such notice (i) the 2022A Bonds (or portions thereof) so to be redeemed shall become due and payable at the Redemption Price specified in such notice, plus interest accrued thereon to the redemption date, (ii) interest on such 2022A Bonds (or portions thereof) shall cease to accrue, (iii) such 2022A Bonds shall cease to be entitled to any benefit or security under the Indenture, and (iv) the Owners of such 2022A Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest.

No Redemption of the 2022B Bonds

The 2022B Bonds are not subject to redemption prior to maturity.

Book-Entry Only System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered certificates registered in the name of Cede & Co., (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX F—THE BOOK-ENTRY SYSTEM" herein.

The Authority and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium, if any, with respect to the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Authority and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

Acceleration

If an Event of Default (as such is defined in the Indenture) shall occur, the Trustee or the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding may, upon the satisfaction of certain conditions set forth in the Indenture, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately. Any suit requesting such accelerated payment of debt service and/or money damages would be subject to limitations on legal remedies against municipalities in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. See "APPENDIX A—SUMMARY OF THE INDENTURE" hereto under the caption "Events of Default and Remedies of Bondowners; Acceleration of Maturities" for further information with respect to the acceleration of the Bonds and other remedies.

SECURITY FOR THE BONDS

General

THE OBLIGATION OF THE AUTHORITY TO MAKE PAYMENTS OF PRINCIPAL OF AND INTEREST ON THE BONDS IS A SPECIAL OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY NET REVENUES AND OTHER FUNDS PROVIDED FOR IN THE INDENTURE. NONE OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA, NOR ANY OF ITS POLITICAL SUBDIVISIONS SHALL BE DIRECTLY, INDIRECTLY, OR CONTINGENTLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS TO PAY ALL OR ANY PORTION OF THE DEBT SERVICE DUE ON THE BONDS, TO LEVY OR TO PLEDGE ANY

FORM OF TAXATION WHATSOEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE BONDS ARE NOT SECURED BY A LIEN ON THE PHYSICAL ASSETS OF THE AUTHORITY OR THE CITY. THE BONDS ARE NOT A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY OR THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS NOR DO THEY CONSTITUTE INDEBTEDNESS IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. NO PERSON EXECUTING THE BONDS IS SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THEIR ISSUANCE.

Pledge of Net Revenues

The Bonds are secured by a first pledge of the Net Revenues received by the Authority as a result of the operation of the Water Enterprise, as those terms are defined below and upon all money and securities on deposit in certain accounts under the Indenture. The obligation of the Authority to make debt service payments on the Bonds from Net Revenues is absolute and unconditional, and until such time as all debt service payments on the Bonds shall have been fully paid and the Bonds are no longer Outstanding (or provision for the payment thereof shall have been made), the Authority will not, under any circumstances, discontinue, abate or suspend any payment due under each Indenture when due, whether or not the Water Enterprise is operating or operable or has been completed, or whether or not the Water Enterprise is condemned, damaged, destroyed or seized or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset, counterclaim, defense, recoupment, abatement, suspension, deferment or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement or covenant contained in the Indenture for any cause whatsoever.

All Net Revenues are pledged by the Authority to the payment of debt service on the Bonds and debt service on Parity Obligations as provided in each Indenture, and the Net Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Net Revenues, there may be apportioned such sums for such purposes as are expressly permitted by the Indenture, including payment of debt service on any Parity Obligations. This pledge shall constitute a first lien on the Net Revenues for the payment of the debt service on the Bonds and debt service on any Parity Obligations in accordance with each Indenture. **The Bonds are not secured by a direct lien on the Water Enterprise or any other property of the Authority or the City.**

In each Indenture, the Authority covenants that, so long as any Bonds are Outstanding, the Authority will not issue or incur any obligations payable from Revenues or Net Revenues superior to the payment of debt service on the Bonds or Parity Obligations. The Authority is authorized to issue additional Parity Obligations secured by Net Revenues with a lien on a parity basis with the lien of the Bonds, provided it complies with certain provisions in each Indenture. See “—Issuance of Parity Obligations” below. The Authority is also authorized to issue subordinate debt secured by Net Revenues.

“Net Revenues” are, for any Fiscal Year, an amount equal to all of the Revenues received with respect to such Fiscal Year, minus the amount required to pay all Operation and Maintenance Costs becoming payable with respect to such Fiscal Year.

“Revenues” means all revenues, income, rents, fees, charges, rates and other moneys and receipts derived or to be derived by the Authority from or attributable to the lease and operation of the Water Enterprise including, without limiting the generality of the foregoing, (i) all revenues attributable to the Water Enterprise or to the payment of the costs thereof received or to be received by the Authority under any contract for service from the Water Enterprise or any part thereof or any contractual arrangement, with respect to the use of the Water Enterprise or any portion thereof or the services or capacity thereof,

(ii) the proceeds of any standby water availability charges collected by the Authority or the City to the extent such proceeds are available to pay debt service on the Bonds, (iii) the proceeds of any insurance covering business interruption loss relating to the Water Enterprise, and (iv) realized investment income earned on any moneys or securities deposited in any accounts to secure or provide for the payment of debt service on obligations issued or incurred by the Authority and secured by Net Revenues, and realized investment earnings received on any invested moneys of the Water Enterprise, but excluding any proceeds of taxes restricted by law to be used by the Authority to pay bonds hereafter issued and any state and federal grants received by the Authority. Revenues shall also be increased by the amounts, if any, transferred during such Fiscal Year or other period from the Rate Stabilization Account to the Revenue Fund and shall be decreased by the amounts, if any, transferred during such Fiscal Year or other period from the Revenue Fund to the Rate Stabilization Account, pursuant to the Indenture. Revenues shall not include unrealized investment earnings or losses as a result of mark to market calculations.

“Operation and Maintenance Costs” means costs spent or incurred for maintenance and operation of the Water Enterprise calculated in accordance with generally accepted accounting principles, including (among other things) the cost of purchasing water, the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water Enterprise in good repair and working order, and including administrative costs of the City that are charged directly or apportioned to the Water Enterprise, including but not limited to salaries and wages of employees, payments to any pension system, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the City and the Authority or charges (other than debt service payments) required to be paid by it to comply with the terms of the Bonds or of any resolution or indenture authorizing the issuance of Parity Obligations, or of such Parity Obligations, but excluding, in all cases, depreciation, replacement and obsolescence charges or reserves therefore and amortization of intangibles or other bookkeeping entries of a similar nature and all capital charges.

“Revenue Fund” means the Revenue Fund held by the Authority into which all Revenues, as received, are deposited.

Application of Revenues

Payments from Revenue Fund. The Authority has covenanted that all of the Revenues shall be deposited by the City, on behalf of the Authority, immediately upon receipt in the Revenue Fund, for the benefit of Bondholders and the holders of Parity Obligations, and shall be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture.

Revenues in the Revenue Fund shall be set aside and applied in the following order of priority. Additionally, amounts may, from time to time as the Authority deems necessary or appropriate, be transferred from the Rate Stabilization Account and deposited in the Revenue Fund, as provided in each Indenture.

(1) Operation and Maintenance Costs. The Authority shall first pay from the moneys in the Revenue Fund the budgeted Operation and Maintenance Costs as such Operation and Maintenance Costs become due and payable.

(2) Debt Service Payments. On or before the 15th day of each January and July, the City, on behalf of the Authority, shall withdraw from the Revenue Fund and (A) transfer to the Trustee, for deposit in a special fund designated as the “Bond Fund” that is established pursuant to the Indenture and that shall be held in trust, an amount which, together with the balance then on deposit in the Bond Fund, the Interest Account and the Principal Account (other than amounts required for payment of

principal of or interest on any Bonds which have matured or been called for redemption but which have not been presented for payment), that is equal to the aggregate amount of principal of and interest coming due and payable on the Bonds on the next succeeding Interest Payment Date and (B) transfer to the Trustee an amount equal to the aggregate amount of principal of and interest coming due and payable on any Parity Obligations on the next succeeding Interest Payment Date.

(3) Surplus/Rate Stabilization Account. As long as all of the foregoing payments, allocations and transfers are made at the times and in the manner set forth above in subsection (2), inclusive, and the payment of any amounts owed to the insurer, if any, shall have been paid, any moneys remaining in the Revenue Fund may at any time be treated as surplus and applied for any lawful purpose. The Authority may maintain and hold a separate account to be known as the Rate Stabilization Account. From time to time the Authority may deposit in the Rate Stabilization Account, from remaining Net Revenues described in this subsection (3) or other available funds of the Authority, such amounts as the Authority shall determine. Transfers to the Rate Stabilization Account count against Net Revenues for that Fiscal Year. The Authority may withdraw amounts from the Rate Stabilization Account (i) for transfer to the Revenue Fund for inclusion in Revenues for any Fiscal Year, or (ii) for any other lawful use of the Authority. All interest or other earnings upon deposits in the Rate Stabilization Account shall be accounted for as Revenues.

Payment of Debt Service Payments. On or before the Business Day preceding each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Bond Fund), the following amounts, in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Net Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

First: to the Interest Account, the aggregate amount of interest becoming due and payable on the next succeeding Interest Payment Date on all Bonds then Outstanding; and

Second: to the Principal Account, the aggregate amount of principal becoming due and payable on the Outstanding Bonds on the next succeeding Interest Payment Date, if any.

Rate Covenant

General. The Authority has covenanted in the Indenture that it shall fix, prescribe, revise and collect rates, fees and charges for the Water Enterprise as a whole for the services and improvements furnished by the Water Enterprise during each Fiscal Year which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Revenues that are sufficient to pay the following amounts in the following order of priority:

(i) all anticipated Operation and Maintenance Costs of the Water Enterprise for such Fiscal Year;

(ii) debt service payments on the Bonds and on any Parity Obligations as they become due and payable during such Fiscal Year, without preference or priority, except to the extent such debt service payments are payable from the proceeds of the Bonds or Parity Obligations or from any other source of legally available funds of the Authority that have been deposited with the Trustee for purposes prior to the commencement of such Fiscal Year; and

(iii) all other payments required to meet any other obligations of the Authority which are charges, liens, encumbrances upon the Revenues or Net Revenues during such Fiscal Year.

To the fullest extent permitted by law, the Authority will fix, prescribe, revise and collect, or cause to be fixed, prescribed, revised and collected, rates, fees and charges for the services and improvements furnished by the Water Enterprise which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Revenues equal to 120% of Debt Service payments on the Bonds and Parity Obligations for such Fiscal Year. The Authority may make adjustments from time to time in such rates and charges and may make such classifications thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements described here. For purposes of this calculation, Net Revenues shall be calculated without regard to allocation of the City's administrative overhead costs to the Water Enterprise.

So long as the Authority has complied with its obligations described above, the failure of Net Revenues to meet the 120% of Debt Service threshold at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the Authority did meet the 120% of Debt Service threshold at the commencement of the succeeding Fiscal Year.

Rate Stabilization Account

The Authority has established a Rate Stabilization Account. From time to time the Authority may deposit in the Rate Stabilization Account, from remaining Net Revenues or other available funds of the Authority, such amounts as the Authority shall determine. The Authority may withdraw amounts from the Rate Stabilization Account (i) for transfer to the Revenue Fund for inclusion in Revenues for any Fiscal Year, or (ii) for any other lawful use of the Authority. All interest or other earnings upon deposits in the Rate Stabilization Account shall be accounted for as Revenues.

Issuance of Parity Obligations

Except for bonds issued to fully or partially refund the Bonds or Parity Obligations, the Authority will not issue or incur any Parity Obligations unless:

(i) No Event of Default shall have occurred and be continuing under the Indenture unless such default shall be cured simultaneously with the issuance of such Parity Obligations;

(ii) The Authority obtains or provides a certificate prepared by an Independent Accountant or Independent Financial Consultant showing that the Net Revenues as shown by the books of the Authority or City for any 12 consecutive calendar months during the 18 calendar month period ending prior to the incurring of such Parity Obligations, or the most recent audited financial statement available, shall have amounted to at least 120% of the Maximum Aggregate Annual Debt Service for all Bonds and Parity Obligations to be outstanding immediately after incurring such additional Parity Obligations. For purposes of this calculation, Net Revenues shall be calculated without regard to allocation of the City's administrative overhead costs to the Water Enterprise.

For purposes of preparing the certificate described in subsection (ii) of this section, the Independent Accountant or Independent Financial Consultant may rely upon financial statements prepared by the Authority or City, which have not been subject to audit by an independent certified public accountant if audited financial statements for the Fiscal Year or period are not available. For purposes of

demonstrating compliance with the foregoing, Net Revenues may be adjusted (at the option of the Authority) to include the Additional Revenues.

“Additional Revenues” shall mean an allowance for Net Revenues (i) arising from any increase in the charges made for service from the Water Enterprise adopted prior to the incurring of such Bonds or Parity Obligations and effective within eighteen (18) months following the date of incurring such Bonds or Parity Obligations, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of the most recent completed Fiscal Year or during any more recent twelve (12) month period selected by the Authority, and (ii) arising from any increase in service connections to the Water Enterprise prior to the incurring of such Bonds or Parity Obligations, in an amount equal to the total amount by which the Net Revenues would have been increased if such connections had been in existence during the whole of the most recent completed Fiscal Year or during any more recent twelve (12) month period selected by the Authority, all as shown by the certificate or opinion of an Independent Financial Consultant.

BOND INSURANCE

Bond Insurance Policy

[To come.]

THE WATER ENTERPRISE

Water Supply

The City is located on the banks of what was formerly the Whitewater River but is now part of the All-American Canal system. The City is situated over alluvial fan deposits from the Santa Rosa mountains to the south and is underlain by a vast groundwater basin known as the Whitewater River sub-basin. The Lower Whitewater River sub-basin is naturally replenished through mountain rainfall, and is the source of the City’s water. The City shares this water source with the Coachella Valley Water District, which services an area contiguous to the Water Enterprise service area. The Authority is entitled to draw water from the basin with no restrictions as to quantity pursuant to the Authority’s participation under the replenishment program for the Lower Whitewater River Sub-Basin Area of Benefit. Under the program, the Authority is required to pay to the Coachella Valley Water District, a replenishment assessment charge for each acre-foot of water produced for the Area of Benefit and extracted by the Authority. The groundwater quality is excellent and requires minimal treatment prior to entering the Water Enterprise distribution system. Since 1991, in compliance with federal and state regulations, the Authority has chlorinated its groundwater prior to distribution. The Authority is in compliance with all relevant State and federal regulations, including the Safe Drinking Water Act.

Additional demographic and economic information relating to the City is set forth in “APPENDIX B– GENERAL INFORMATION ABOUT THE CITY OF COACHELLA.”

Water Enterprise Management, Operation & Service Area

The City has provided continuous domestic water service to its residents for 46 years. Prior to that time, the water system was privately owned and operated. The City acquired the Water Enterprise in 1954 and created the Water Department and Enterprise Fund in 1957. The Authority leased the Water Enterprise from the City pursuant to the Lease Agreement and concurrently entered into the Management Agreement with the City to operate the Water Enterprise on behalf of the Authority. The operation of the

Water Enterprise is administered and managed by the Utilities Manager under the direct supervision of the City Manager. The Water Enterprise has twelve employees. The employees of the Water Enterprise are represented by the Laborers' International Union of North America Local No. 1184 and are currently working under a labor agreement that will expire on June 30, 2023. The Water Enterprise's permanent employees are covered by the California Public Employees Retirement System ("PERS") through the City. The Water Enterprise separately reports the PERS contributions attributable to its employees in its annual audited financial statements. The Water Enterprise, through the City, offers post-employment benefits ("OPEB") to eligible employees. As of June 30 2021, an amount of \$1,141,250 of the City's total Net OPEB Obligation was allocated to the employees of the Water Enterprise. Additional information regarding the City's employee retirement plans, annual pension costs, the funding status thereof and significant accounting policies related thereto is set forth in the notes to the City's comprehensive annual financial report, which may be obtained from the City or at www.coachella.org. However, the information contained on such website is not incorporated herein by any reference.

Biographical information on the individuals responsible for managing and operating the Water Enterprise is provided in the following paragraphs.

Gabriel Martin, City Manager.

Dr. Martin is the City's City Manager and was appointed to that position in June 2021. He administers operations and coordinates the development and implementation of goals, objectives, programs and projects for the City, Water Authority and Sanitary District. Prior to his appointment, he served as the City's Economic Development Director from August 2020 to June 2021 and as its Economic Development Manager from August 2017 to August 2020. Dr. Martin has a Doctorate in Public Administration from the University of La Verne; a Master Degree in Public Administration from the California State University, San Bernardino and a Bachelor Degree in Economics/Business Administration from the University of California, Riverside.

Nathan Statham, Finance Director.

Nathan Statham is the City's Finance Director. Mr. Statham was appointed Finance Director in March of 2020 and oversees the City's finance, accounting, accounts payable, billing, payroll processing, budgeting, bond issuance and financial reporting functions. Prior to joining the City, Mr. Statham filled an equivalent roll for the City of La Verne from January 2018 through March 2020. From January 2012 through December 2017 Mr. Statham was a municipal auditor with the audit firm Rogers, Anderson, Malody and Scott, LLP. Mr. Statham has a Bachelor Degree and Master of Business Administration from California State University, San Bernardino and is a licensed Certified Public Accountant in the State of California.

Cástulo R. Estrada, Utilities Manager.

Cástulo Estrada is the City's Utilities Manager. Mr. Estrada was appointed Utilities Manager in March of 2018 and oversees the City's water and wastewater operations, develops and administers an annual operating and capital budget for the utilities, insures compliance with all state and federal environmental and regulatory requirements, supervises all utility personnel. Prior to being appointed Utilities Manager, Mr. Estrada filled other roles in for the City in Utilities Engineering starting in 2012. Mr. Estrada currently sits on the board of directors for the Coachella Valley Water District and Salton Sea Authority. Mr. Estrada has a Bachelor Degree in Civil Engineering from California State Polytechnic University, Pomona.

The average daily water demand for the Water Enterprise was approximately [8,107] hundred cubic feet for the 2020 calendar year. The Water Enterprise currently consists of [six] active wells, [two] booster pumping stations, three reservoirs with a total capacity of [10.1] million gallons, a distribution system of approximately 634,000 linear feet of pipeline ranging in sizes from 4 inches to 18 inches and approximately 9,080 water service accounts, 8,402 of which are for residential customers and 678 of which are for commercial and industrial customers.

The service area of the Water Enterprise is coterminous with the City limits, together with the City's sphere of influence. The City encompasses an area of approximately 13,172 acres, with approximately [6,872] acres of undeveloped land, [3,798] acres of agricultural land, and [820] acres of land dedicated to residential uses. As the City becomes more developed, the demand for water services is expected to increase proportionately, thus allowing growth of the Water Enterprise without requiring an increase in the size of the service area.

Water Storage & Distribution System

The Water Enterprise's reservoirs are comprised of three tanks: a 3.6 MG tank located along Mecca Street just south of Avenue 51, a 1.5 MG tank located on Avenue 46 to the east of Coachella and a 5.4 MG tank located at Avenue 48 and Tyler Street. The 3.6 MG tank serves the low-pressure zone, the 1.5 MG tank serves the high pressure zone and the 5.0 MG tank serves both the low and high-pressure zones. The boundary between the two pressure zones coincides with Avenue 48. A booster pump station located at Well No. 12 serves the 3.6 MG tank. Additional booster pumps are located at the 5.0 MG reservoir. These booster pumps are necessary to maintain adequate pressure in the lower and higher pressure zones.

The 3.6 MG reservoir was constructed in 1987, and has a diameter of 154 feet and a height of 26 feet; this reservoir is supplied by Well Nos. 11, 12, 16, 17 and 19. The 1.5 MG Reservoir was constructed in 1971, and is 32 feet high and has a diameter of 90 feet. Water is pumped into this tank from Well No. 18 and the associated booster pump station. The 5.0 MG reservoir was constructed in 2007 and has a diameter of 175 feet and a height of 32 feet. This reservoir is supplied by Well No. 18.

The existing water distribution system is divided into two pressure zones. The high pressure zone is north of Avenue 48, and the low pressure zone lies south of Avenue 48, east of Van Buren, west of the Coachella Storm Drain channel, and north of Avenue 54. The majority of the Water Enterprise pipeline infrastructure is located within the low pressure zone. In 2000, all domestic water service meters were replaced with meters that can be read remotely from the street.

Water Wells and Booster Pumps

There are currently six wells in operation in the Water Enterprise.

Well No. 11 is on Avenue 48 along the railway line. This well was drilled in 1977. It consists of a 150 HP pump that has a pumping rate of 1,139 gpm.

Well No. 12 is located just south of Avenue 51 on Mecca Street within the same enclosure as the 3.6 MG reservoir and booster pump. This well was also drilled in 1988. It consists of a 100 HP pump with a pumping rate of 2,000 gpm.

Well No. 16 is on Avenue 54, east of Tyler Street at the east end of Tyler Lane. This well was drilled in 1991. It consists of a 250 HP pump that has a pumping rate of 1,301 gpm.

Well No. 17 is on Van Buren Street, south of Avenue 48 . This well was drilled in 2005. It consists of a 200 HP pump that has a pumping rate of 2,100 gpm.

Well No. 18 is on Avenue 48 and Tyler Street within the same enclosure as the 5.0 MG reservoir and booster pump. This well was drilled in 2005. It consists of a 100 HP pump that has a pumping rate of 1,400 gpm.

Well No. 19 is on Jackson Street, south of Avenue 48. This well was drilled in 2005. It consists of a 200 HP pump that has a pumping rate of 2,100 gpm.

Insurance

The insurable property and facilities of the Water Enterprise are covered under the City’s general insurance policies. The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and emissions; and natural disasters. The City is a member of the Public Entity Risk Management Authority (“PERMA”), a joint powers authority formed under Section 990 of the California Government Code for the purpose of jointly funding programs of insurance coverage for its members. PERMA is currently comprised of thirty participating member agencies.

The City participates in the liability, worker’s compensation, employment practices and property insurance programs of PERMA.

The City is self-insured for the first \$125,000, \$250,000 and \$25,000 of each occurrence or accident in the liability, workers’ compensation and employment practices programs respectively. For property insurance, the City is self-insured for the first \$10,000 per occurrence and \$100,000 for flood. Excess costs above the self-insured amounts are shared between participating members based on their respective deposit premium contributions and in accordance with PERMA policies.

Drought Management

By June of each year the Authority prepares, and presents to the Authority Board for its approval, a water supply and demand assessment as part of its water shortage contingency plan (the “Water Shortage Contingency Plan”). The Water Shortage Contingency Plan outlines the Authority’s water shortage response actions to potential water shortage scenarios. The Water Shortage Contingency Plan describes potential water use restrictions and their enforcement, water use monitoring and reporting, operational changes, and customer communication protocols. The most recent Water Shortage Contingency Plan was adopted by the Authority Board on June 23, 2021. See the caption “RISK FACTORS —Drought” for further discussion on drought risks.

Water Users

The following are the top ten water users and their usage (in hundreds of cubic feet) and total billings for Fiscal Year 2020-21.

TABLE 1
COACHELLA WATER AUTHORITY
WATER ENTERPRISE
Leading Users of the Water Enterprise
(Fiscal Year 2020-21)

<u>Customer</u>	Annual Consumption (in HCF)	Percent of total Metered Consumption	<u>Billings</u>	Percentage of Total <u>Billings</u> ⁽¹⁾
Spotlight 29 Casino	57,242	1.83%	\$105,931.68	1.7%
City of Coachella	49,437	1.58	86,060.73	1.40
CVUSD Coachella Valley High	31,371	1.00	52,575.03	0.80
Ocean Mist Farms	17,052	0.55	31,539.96	0.50
Sanitary District City of Coachella	17,072	0.55	28,575.24	0.40
Coachella Youth Sports Association	14,786	0.47	26,641.74	0.40
Desert Palms Apartments	13,487	0.43	24,001.59	0.40
Coral Mountain Academy	13,659	0.44	22,943.79	0.40
Love's Travel Stops	13,352	0.43	22,255.08	0.30
Armtec Defense Prod. 1	<u>11,933</u>	<u>0.38</u>	<u>21,934.29</u>	<u>0.30</u>
Total	239,391	7.66%	\$422,459.13	6.63%

Source: Authority.

⁽¹⁾ Rounded percentages.

Water Rates

Water Rates are set by the City Council and are not subject to review by any state or local government agency. The most recent revision to the City's water rate structure was approved by the City Council on March 24, 2010, with the initial new rates effective with the May 1, 2010 billing cycle. The following summarizes the City's current water rates.

TABLE 2
COACHELLA WATER AUTHORITY
WATER ENTERPRISE
Current Rates and Charges

RATES FOR MONTHLY METER CHARGE (\$/METER SIZE)

<u>Meter Size</u>	<u>Service Charge</u>
5/8 inch or 3/4 inch	\$ 13.80
1 inch	19.32
1 1/2 inches	24.84
2 inches	40.02
3 inches	151.82
4 inches	193.22
6 inches	289.83
8 inches	400.24

RATES FOR CONSUMPTION

Tiers

Commodity Charge

Block 1 Rates (per hcf) 0 to 41 hcf
Block 2 Rates (per hcf) over 41 hcf

\$ 1.50 per hcf
1.65 per hcf

Source: Authority.

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**HISTORICAL RATES FOR MONTHLY METER CHARGE (\$/METER SIZE)
Fiscal Years 2016 through 2020**

Meter Size	2016	2017	2018	2019	2020
5/8 inch or 3/4 inch	\$13.80	\$13.80	\$13.80	\$13.80	\$13.80
1 inch	19.32	19.32	19.32	19.32	19.32
1 1/2 inches	24.84	24.84	24.84	24.84	24.84
2 inches	40.02	40.02	40.02	40.02	40.02
3 inches	151.82	151.82	151.82	151.82	151.82
4 inches	193.22	189.83	193.22	193.22	193.22
6 inches	289.83	289.83	289.83	189.83	289.83
8 inches	400.24	400.24	400.24	400.24	400.24

Source: Authority.

**HISTORICAL RATES FOR CONSUMPTION
Fiscal Years 2016 through 2020**

Tiers	Commodity Charge				
	2016	2017	2018	2019	2020
Block 1 Rates (per hcf) 0 to 41 hcf	\$1.50 per hcf	\$1.50 per hcf	\$1.50 per hcf	\$1.50 per hcf	\$1.50 per hcf
Block 2 Rates (per hcf) over 41 hcf	1.65 per hcf	1.65 per hcf	1.65 per hcf	1.65 per hcf	1.65 per hcf

Source: Authority.

Demand and Sales

Listed below is the number of water accounts operated by the City and total water production during the past five fiscal years.

**TABLE 3
COACHELLA WATER AUTHORITY
WATER ENTERPRISE
Water Enterprise Production and Number of Accounts
(Fiscal Years 2017-18 to 2020-21)**

Fiscal Year Ended June 30	Number of Accounts	Total of Production (HCF)⁽¹⁾
2016	8,773	2,474,082
2017	8,694	2,697,545
2018	8,770	2,910,415
2019	8,741	2,821,867
2020	8,892	2,776,405
2021	9,080	3,127,058

Source: Authority.

Increased demand for water services has historically been the result of real estate development within the City, development activity in the surrounding area and, to a minor extent, increased discharges of water by new and existing industrial and commercial businesses in the City. In Fiscal Year 2020-21, the number of accounts increased by 158. This increase is primarily attributable to residential and commercial development during Fiscal Year 2020-21.

As of June 30, 2020, the Water Enterprise had 9,080 active/open water accounts, 8,402 of which represent residential users (individual and multifamily) and 678 of which represent commercial users. Revenues from residential users, including multifamily units, accounted for approximately 73% of the revenues received by the Authority during the Fiscal Year 2020-21. Set forth below is a further composite of water account users as of the end of Fiscal Year 2020-21.

**TABLE 4
COACHELLA WATER AUTHORITY
WATER ENTERPRISE
Water Account User Composition
As of June 30, 2020**

<u>Water Accounts</u>	<u>User Composition</u>	<u>Percent of Total Accounts⁽¹⁾</u>	<u>Percent of Total Consumption⁽¹⁾</u>	<u>Percent of Total Revenue</u>
7,921	Individual Residential Properties	87.24%	71.44%	62%
481	Apartment or other Multifamily Units	5.30	12.12	10
678	Other ⁽²⁾	7.47	16.44	28

Source: Authority.

⁽¹⁾ Rounded percentages.

⁽²⁾ Includes commercial, industrial, fire hydrants and landscaped-only properties.

Billing and Collection Procedures

The Authority has implemented a schedule of utility billings, delinquent notices and turn-off procedures which apply to the Water Enterprise. Billings are mailed or emailed in two cycles. For cycle 1 customers, bills are mailed by the last day of the preceding month and are due on the twenty-fifth of the month. For cycle 2 customers, bills are mailed by the 15th of the preceding month and are due on the tenth of the month. If an account is delinquent, subsequent utility bills contain a delinquency notice. Shutoff notices are mailed after an account has been delinquent for over sixty days. Shutoff notices provide information for payment plans and circumstances under which services will not be shutoff. Certain medical and financial circumstances will preclude the shutoff of a customer's account if the customer can prove a threat to health and safety or financial inability to pay. Fifteen days after the shutoff notice has been mailed, the City can schedule a service disconnect. Fifteen days after the shutoff notice has been mailed, the City can schedule a service disconnect.

The average delinquency rate during Fiscal Year 2020-21 was approximately []%. Delinquencies over 90 days represented approximately 30% of the accounts receivable balance as of [June 30, 2021]. Additionally, approximately \$200,000 of the delinquent balance are COVID-19 (as defined herein) related arrearages. The City, on behalf of the Authority, has applied for, and expects to be awarded, funding through the California State Water Board California Water and Wastewater Arrearage Payment Program to cover these COVID-19-related delinquent amounts. Excluding COVID-19 related

delinquencies, approximately \$139,000 of the delinquent balance is in collections. The City expects to collect 90% of the delinquent accounts. The Authority does not anticipate potential collections losses on the delinquent accounts to have any material impact on its finances.

Historical Operating Results

The tables below summarize the operating revenues, operating expenses and changes in net position of the Water Authority, the historical cash flows and debt service coverages of the Water Enterprise and the net assets of the Water Enterprise each derived from the Authority's audited financial statements for the Fiscal Years 2016-17 through 2019-20 [and the unaudited financial statements for Fiscal Year 2020-21]. The Authority's audited financial statements for the Fiscal Year ended June 30, 2020, are included as Appendix B to this Official Statement. The following tables should be read in conjunction with the information and related footnotes contained in Appendix B.

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TABLE 5
COACHELLA WATER AUTHORITY
Historical Financial Results
(Fiscal Years Ending June 30)

	2017	2018	2019	2020	2021 ⁽¹⁾
OPERATING REVENUE					
Charges for services	\$ 5,810,063	\$ 6,170,863	\$6,221,940	\$5,991,611	\$6,370,999
Other revenue	759,370	990,251	598,860	534,781	528,909
Total operating revenues	\$ 6,569,433	\$ 7,161,114	\$6,820,800	\$6,526,392	\$6,899,908
OPERATING EXPENSES:					
Salaries and benefits	\$1,017,658	\$2,161,526	\$1,822,409	\$2,190,055	\$2,370,782
Administrative and general	943,915	301,712	303,426	293,420	705,362
Professional services	653,371	458,456	810,812	1,327,643	323,446
Materials and supplies	443,288	582,964	193,977	539,657	403,799
Repairs and maintenance	57,900	118,158	61,404	109,706	228,832
Utilities	1,097,220	897,224	890,703	911,288	955,177
Depreciation and amortization	1,427,613	1,317,192	1,300,348	1,278,343	1,095,093
Total Operating Expenses	\$ 5,640,965	\$ 5,837,232	\$5,383,079	\$6,650,112	\$6,082,491
Operating Income	\$928,468	\$1,323,882	\$1,437,721	(\$123,720)	\$817,417
NONOPERATING REVENUES (EXPENSES):					
Connection charges	\$407,149	\$938,957	\$222,211	\$443,534	\$780,444
Intergovernmental revenue	-	-	154,667	65,224	57,742
Investment income (loss)	(\$15,319)	(\$5,426)	374,094	465,751	(20,864)
Interest expense and fiscal changes	(515,953)	(495,430)	(483,642)	(471,527)	(546,108)
Total Nonoperating Revenues (Expenses)	(\$124,123)	\$ 438,101	\$267,330	\$502,912	\$271,214
Income (Loss) Before Operating Transfers	\$804,345	\$1,761,983	\$1,705,051	\$379,262	\$1,088,631
TRANSFERS					
Transfers in	-	30,969	\$140,060	-	-
Transfers out	(\$647,388)	(\$730,827)	(\$618,502)	(\$794,162)	(\$759,279)
Total Transfers	(\$647,388)	(\$699,858)	(\$478,442)	(\$794,162)	(\$759,279)
Change in Net Position	\$156,957	\$1,062,125	\$1,226,609	(\$414,900)	\$329,352
Total Net Position, Beginning of Year	\$24,024,849	\$24,684,111	\$25,746,236	\$27,409,036	\$26,994,136
Total Net Position, End of Year	\$24,181,806	\$25,746,236	\$26,972,845	\$26,994,136	\$27,323,488

Source: Authority

⁽¹⁾ Data is unaudited.

TABLE 6
COACHELLA WATER AUTHORITY
Statement of Net Position
(Fiscal Years Ending June 30)

	2017	2018	2019	2020	2021 ⁽¹⁾
ASSETS					
<u>Current Assets</u>					
Cash and Investments	\$3,70521	\$4,153,705	\$5,479,980	\$6,461,191	\$6,756,497
Restricted Cash	597,094	655,489	6,776,459	7,418,413	8,199,452
Prepaid items	103,407	97,281	92,367	85,607	77,826
Accounts receivable, net	700,487	1,046,976	1,348,135	1,579,888	1,149,203
Total Current Assets	\$5,106,529	\$6,153,851	\$13,697,931	\$15,545,109	\$16,182,978
<u>Noncurrent Assets</u>					
Capital Assets not being depreciated	\$1,364,146	\$1,521,227	\$1,595,516	\$891,319	\$926,741
Capital Assets being depreciated	6,855,825	6,094,527	6,094,527	6,076,705	6,066,342
Less: accumulated depreciation	-3,041,689	-3,173,480	-3,303,528	-3,391,007	-3,495,781
Investment with fiscal agent	-	-34	70	46	166,806
Total Noncurrent Assets	\$4,177,282	\$4,352,240	\$4,392,585	\$4,677,067	\$4,604,108
Total Assets	\$9,283,811	\$10,506,091	\$18,090,516	\$20,222,176	\$20,787,086
DEFERRED OUTFLOWS OF RESOURCES					
Deferred changes from debt refunding:	\$167,360	\$156,900	\$146,440	\$135,980	\$125,520
Deferred amount related to pension	505,630	775,814	674,356	610,992	294,789
Deferred amount related to other postemployment benefits	-	-	37,143	204,339	184,845
Total Deferred Outflows of Resources	\$672,990	\$932,714	\$857,939	\$951,311	\$605,154
LIABILITIES					
<u>Current Liabilities:</u>					
Accounts payable and accrued liabilities	\$643,202	\$357,215	\$320,748	\$566,196	\$279,672
Deposits payable	379,453	387,504	365,308	346,309	353,763
Accrued wages payable	25,079	36,360	31,138	47,109	59,383
Interest payable	237,823	232,757	227,584	222,260	245,599
Compensated absences, due within one year	85,597	183,452	57,868	106,154	103,125
Bonds payable, due within one year	497,801	505,767	518,863	532,095	721,498
Total Current Liabilities	\$1,882,755	\$1,702,055	\$1,521,509	\$1,822,123	\$1,763,040
<u>Noncurrent Liabilities:</u>					
Compensated absences, due in more than one year	\$80,269	-	\$55,753	\$33,960	\$73,292
Net other postemployment benefits liability	398,862	\$744,544	780,961	1,067,287	1,141,250
Net pension liability	2,789,045	2,315,420	2,182,131	2,321,945	2,461,383
Bonds Payable, due in more than one year	1,340,264	1,286,149	1,230,456	1,174,022	1,337,912
Total Noncurrent Liabilities	\$4,608,440	\$4,346,113	\$4,249,301	\$4,606,214	\$5,013,837
Total Liabilities	\$6,491,195	\$6,048,168	\$5,770,810	\$6,428,337	\$6,776,877
DEFERRED INFLOWS OF RESOURCES					
Deferred amount related to pension	-	\$117,179	\$174,025	\$159,814	\$99,984
Deferred amount related to other postemployment benefits	-	29,283	23,755	44,896	38,160
Total Deferred Inflows of Resources	-	\$146,462	\$197,780	\$204,710	\$138,144
NET POSITION					
Net investment in capital assets	\$180,017	\$172,122	\$162,536	\$155,190	\$158,741
Restricted	597,094	655,492	6,776,529	7,418,459	8,446,410
Unrestricted	140,715	1,670,028	3,370,680	4,024,087	3,789,338
Total Net Position	\$917,826	\$2,547,642	\$10,309,745	\$11,607,736	\$12,394,499

Source: Authority.

⁽¹⁾ Unaudited.

TABLE 7
COACHELLA WATER AUTHORITY
Historical Financial Results and
Debt Service Coverage
(Fiscal Years Ending June 30)

	2017	2018	2019	2020	2021 ⁽³⁾
<u>Gross Water Revenues</u>					
Charges for Services	\$5,810,063	\$6,170,863	\$6,221,940	\$5,991,611	\$6,370,999
Connection Charges ⁽¹⁾	407,149	938,957	222,211	443,464	780,444
Investment Income ⁽²⁾	-15,319	-5,426	374,094	465,751	145,100
Other Revenue	759,370	990,251	753,527	600,005	528,909
Total Gross Water Revenues	\$6,961,263	\$8,094,645	\$7,571,772	\$7,500,901	\$7,825,452
<u>Water Expenses</u>					
Salaries & Benefits	\$1,017,658	\$2,161,526	\$1,822,409	\$2,190,055	\$2,399,599
Administrative Costs	943,915	301,712	303,426	293,420	339,834
Professional Services ⁽³⁾	653,371	458,456	810,812	1,327,643	268,051
Material and Supplies	443,288	582,964	193,977	539,657	403,799
Repairs and Maintenance	57,900	118,158	61,404	109,706	228,832
Utilities	1,097,220	897,224	890,703	911,288	955,177
Total Water Expenses ⁽⁴⁾⁽⁵⁾	\$4,213,352	\$4,520,040	\$4,082,731	\$5,371,769	\$4,595,292
<u>Operating Income</u>	\$2,826,212	\$3,640,334	\$3,192,922	\$1,742,719	\$3,230,160
<u>Coverage</u>					
Total Debt Service ⁽⁶⁾	\$1,021,540	\$1,022,875	\$1,019,262	\$1,020,394	\$1,020,394
Debt Service Coverage	2.77	3.56	3.13	1.71	3.17
Transfer Out	(\$647,388)	(\$730,827)	(\$618,502)	(\$794,162)	(\$759,279)

Source: Authority.

⁽¹⁾ Amounts represent development impact fees that can only be used for expansions to the Water Enterprise. Such amounts would not have been available to pay debt service on the 2008 USDA Bonds or the 2012 Bonds.

⁽²⁾ Includes unrealized gains or losses on investments as a result of mark to market calculation.

⁽³⁾ Increase in Fiscal Year 2018-19 is primarily due to replacement of significant number of water meters that for accounting purposes are not capitalized. Increase in Fiscal Year 2019-20 is primarily due to system analysis and design costs for State mandated Chromium 6 level reductions. The State relaxed the mandate and accordingly the improvements were not undertaken.

⁽⁴⁾ Does not include allocation of various overhead costs that are discretionary and reflected in the line item designated as Transfer Out.

⁽⁵⁾ Excludes depreciation and amortization.

⁽⁶⁾ Debt Service on the 2008 USDA Bonds and the 2012 Bonds (excludes payments on pension benefit obligation).

⁽⁷⁾ Unaudited.

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Projected Net Revenues and Debt Service Coverages

The following table provides a projection of current revenues, operating expenditures, debt service payments and debt service coverage for the fiscal years ending June 30, 2022 through June 30, 2026, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the Authority's estimate of projected financial results based upon its judgment of the most probable occurrence of certain important future events. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

TABLE 8
COACHELLA WATER AUTHORITY
WATER ENTERPRISE
Projected Net Revenues
and Debt Service Coverage
(Fiscal Year Ending June 30)

	2022	2023	2024	2025	2026
<u>Gross Water Revenues</u>					
Charges for Services	\$6,133,363.84	\$6,234,091.19	\$6,336,472.77	\$6,440,535.75	\$6,546,307.74
Interest	146,884.07	134,001.67	122,249.12	99,302.40	80,662.89
Other Revenues	531,845.00	551,216.31	571,293.19	592,101.32	613,667.34
Total Gross Water Revenues	\$6,812,092.91	\$6,919,309.18	\$7,030,015.07	\$7,131,939.47	\$7,240,637.97
<u>Direct Water Costs</u>					
Salaries & Benefits	\$2,538,159	\$2,633,956	\$2,733,370	\$2,781,867	\$2,831,226
Administrative and General	1,070,102	1,110,490	1,152,403	1,172,850	1,193,660
Utilities & Replenishment Costs	1,010,332	1,048,465	1,088,037	1,107,342	1,126,989
Other Water Costs	242,045	251,181	260,661	265,286	269,993
Total Direct Water Costs	\$4,860,638	\$5,044,092	\$5,234,471	\$5,327,346	\$5,421,868
<u>Net Water Revenues</u>	\$1,951,455.35	\$1,875,216.99	\$1,795,544.14	\$1,804,593.76	\$1,818,769.62
<u>Coverage</u>					
2008 USDA Bonds Debt Service	\$1,019,900.00	\$1,019,900.00	\$1,019,900.00	\$1,020,000.00	\$1,019,900.00
2021 Bonds Debt Service					
Debt Service on the Bonds					
Total Debt Service	\$1,019,900.00	\$1,019,900.00	\$1,019,900.00	\$1,020,000.00	\$1,019,900.00
Debt Service Coverage	1.91	1.84	1.76	1.77	1.78
Transfer Out					

Source: Authority.

ENTERPRISE FINANCIAL INFORMATION

Financial Statements

Attached as APPENDIX C are the audited financial statements of the City (the “Financial Statements”) for Fiscal Year 2019-20, which include financial statements for the Water Authority, prepared by the City Finance Department and audited by The Pun Group, Accountants & Advisors, Santa Ana, California (the “Auditor”).

The Auditor’s letter concludes that all the Financial Statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2020, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Financial Statements should be read in their entirety. The City has not requested nor did the City obtain permission from the Auditor to include the Financial Statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the City. In addition, the Auditor has not reviewed this Official Statement.

Retirement Systems

This caption contains certain information relating to the California Public Employees Retirement System (“CalPERS”). The information is primarily derived from information produced by CalPERS, its independent accountants and actuaries. Neither the Authority, the Underwriter nor the City has independently verified the information provided by CalPERS and makes no representations nor expresses any opinion as to the accuracy of the information provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS’ most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference herein. The City cannot guarantee the accuracy of such information. Actuarial assessments are “forward-looking” statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

[To come.]

RISK FACTORS

The following factors, along with other information in this Official Statement, should be considered by potential investors in evaluating the risks in the purchase of the Bonds.

Forward Delivery

The 2022B Bonds are anticipated to be issued on or about the Settlement Date pursuant to a forward delivery arrangement. During the Forward Delivery Period, certain information contained in this Official Statement may change in material respects. Certain changes in such information would permit the Underwriter to terminate the 2022B Bond Purchase Agreement (as defined herein) or release the

purchasers of their obligation to purchase the 2022B Bonds as described under the caption “FORWARD DELIVERY OF THE 2022B BONDS—Certain Considerations Regarding Forward Delivery of the 2022B Bonds—*Termination of the 2022B Bond Purchase Agreement*,” above. See the caption “FORWARD DELIVERY OF THE 2022B BONDS —Certain Considerations Regarding Forward Delivery of the 2022B Bonds” for a description of various risks associated with the forward delivery of the 2022B Bonds.

Water Enterprise Demand and Growth

There can be no assurance that the local demand for the services provided by the Water Enterprise will be maintained at levels described in this Official Statement. Reduction in the level of demand could require an increase in rates or charges in order to produce Net Revenues sufficient to comply with the Authority’s rate covenant in the Indentures. Such rate increases could increase the likelihood of nonpayment, and could also further decrease Enterprise customer demand. There can be no assurance that any other entity with regulatory authority over the Water Enterprise will not adopt further restrictions on operation thereof.

Water Enterprise Expenses

There can be no assurance that Operation and Maintenance Costs of the Water Enterprise will be consistent with the levels described in this Official Statement. The kind and degree of water treatment which is effected by the Water System is regulated, to a large extent, by the federal government. Clean water standards set forth in the Safe Drinking Water Act and the Environmental Protection Act continue to set standards for the operations of the Water System and to mandate its use of technology. In the event that the California Division of Drinking Water Programs or the Federal government, either acting through the Environmental Protection Agency or by adoption of additional legislation, should impose stricter quality standards upon the Water System, its expenses would increase accordingly and rates and charges would have to be increased to offset those expenses. It is not possible to predict the direction which State and federal regulation will take with respect to water treatment. Changes in treatment, transportation and other types of technology, increases in the cost of energy, increased or decreased development within the City, or other expenses could also reduce Net Revenues, and could require substantial increases in rates or charges in order for the Authority to comply with the rate covenant in the Indenture. Rate increases could increase the likelihood of nonpayment by the Water Enterprise customers, and could also decrease water service demands within the City.

Clean Water and Loss of Groundwater Supplies

A key source of Revenues to be used by the Authority pay debt service on the Bonds is derived from the sale of groundwater pumped by the Water System. If the Lower Whitewater River sub-basin or portions thereof were to suffer contamination or other degradation in the quality of the water therein, the groundwater that could be pumped might be reduced and the Revenues of the Water System could correspondingly fall. Such degradation in water quality could result from intrusion of seawater from the coastal areas, movement of saline plumes, contamination by industrial and other human activities, shifting of the aquifers and other barriers due to earthquakes and other geological activity, migration of contamination from other basins, and other reasons. Neither the City nor the Authority has received notice that the Lower Whitewater River sub-basin has experienced any substantial contamination or other degradation in the quality of the water. No assurance can be given that the City’s water quality will not be so adversely affected in the future.

Parity Obligations

Although the Authority has covenanted not to issue additional obligations payable from Net Revenues senior to the Debt Service Payments, each Indenture permits the issuance of certain indebtedness which may have a lien which is on a parity basis to the lien on Net Revenues contained in the Indenture, if certain conditions and coverage tests are met. These coverage tests involve, to some extent, projections of Net Revenues. If such indebtedness is issued or incurred, the debt service coverage for the Debt Service Payments securing the Bonds will be diluted below what it otherwise would be subject to under the coverage tests. Moreover, there is no assurance that the assumptions that form the basis of such projections, if any, will be actually realized subsequent to the date of such projections. If such assumptions are not realized, the amount of future Net Revenues may be less than projected, and the actual amount of Net Revenues may be insufficient to provide for the payment of the Debt Service Payments and such additional indebtedness. See “SECURITY FOR THE BONDS—Issuance of Parity Obligations” herein and “THE WATER ENTERPRISE—Projected Revenues and Expenses” for a description of anticipated debt service coverage on the Parity Obligations currently expected to be incurred with respect to the Water Enterprise.

Proposition 218

Proposition 218, a state ballot initiative known as the “Right to Vote on Taxes Act” was approved by California voters on November 5, 1996 and, except for certain provisions that became effective on July 1, 1997, became effective on November 6, 1996. Proposition 218 added Article XIIC, entitled “Voter Approval of Local Tax Levies” (“Article XIIC”), and Article XIID, entitled “Assessment and Property Related Fee Reform (“Article XIID”), to the California Constitution. Article XIIC and Article XIID limit the imposition by a local government of “general taxes,” “special taxes,” “assessments” and “fees” or “charges.” The City is a local government within the meaning of Article XIIC and Article XIID.

Article XIIC, provides, among other things, that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local fee or charge. This extension of the initiative power is not limited by the terms of Article XIIC to fees and charges imposed after November 6, 1996 and, absent other authority, could result in retroactive reduction in existing fees and charges. Although the terms “fees” and “charges” are not defined in Article XIIC, the California Supreme Court, in *Bighorn-Desert View Water Agency v. Kari Verjil; E.W. Kelley* (July 2006), has stated that there is no basis for excluding from Article XIIC’s authorization any of the fees subject to Article XIID. If fees or charges charged or collected by the City for the Water Enterprise are subjected to the initiative process and the outcome of any initiative proceedings results in a reduction or repeal of such fees or charges, respectively, the ability of the Water Enterprise to generate revenues sufficient to comply with the Authority’s covenants under the Indenture may be adversely affected. Furthermore, if voters were to approve an initiative lowering the City’s water rates, or other charges, the City would need voter approval before it could change the rate or charge that had been set by initiative. The City could, however, increase a charge that was not affected by initiative or to impose an entirely new charge without voter approval.

The California Supreme Court further stated in *Bighorn* that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states: “Section 3 of Article XIIC of the California Constitution, as adopted at the November 5, 1996

general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protection by Section 10 of Article I of the United States Constitution.” Government Code Section 5854 appears to limit the voters’ power to repeal or reduce Enterprise fees and charges if such reductions would interfere with the Authority’s payment of debt service on the Bonds. If Government Code Section 5854 becomes the subject of a challenge, however, no guarantee can be made that the courts will agree with such interpretation.

Article XIID prohibits the assessment upon any parcel of property or upon any person “as an incident of property ownership” (defined to exclude fees for the provision of electrical or gas service) by a local government of any tax, assessment, fee or charge except voter-approved *ad valorem* property taxes and special taxes, fees or charges as a condition of property development, and assessments and “fees or charges for property related services” levied or imposed in accordance with the provisions of Article XIID.

Under Article XIID, revenues derived from a “fee” or “charge” (defined as “any levy other than an *ad valorem* tax, a special tax or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service”) may not exceed the funds required to provide the “property-related service” and may not be used for any purpose other than that for which the fee or charge was imposed. Further, the amount of a “fee” or “charge” may not exceed the proportional cost of the service attributable to the parcel, no “fee” or “charge” may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question, and no “fee” or “charge” may be imposed for general governmental service where the service is “available to the public at large in substantially the same manner as it is to the property owners.”

In addition, in order for a “fee” or “charge” to be imposed or increased, Article XIID provides that, among other things, the parcel upon which a fee or charge is proposed for imposition must be identified, the amount of the fee or charge proposed to be imposed on each such parcel must be calculated, written notice by mail of the proposed fee or charge must be provided to the “record owner” of each identified parcel, and a public hearing must be conducted upon the proposed fee or charge. If written protests against the proposed “fee” or “charge” are presented by a majority of owners of the identified parcels, the fee or charge may not be imposed. The California Supreme Court in *Bighorn* indicated that once a property owner or resident has paid the connection charges and has become a customer of a public water agency, all charges for water delivery incurred thereafter are charges for a property-related service, whether the charge is calculated on the basis of consumption or is imposed as a fixed monthly fee. Accordingly, the imposition or increase of any fee or charge by the City for water service will be the subject of such a majority protest. If such a majority protest occurs, the ability of the Water Enterprise to generate revenues sufficient to comply with the Authority’s covenants under the Indenture may be adversely affected.

Article XIID states that, beginning July 1, 1997, all “fees” or “charges” must comply with its provisions. It is unclear how the provisions of Article XIID will be applied to fees or charges established prior to such date. It is also unclear how the provisions of Article XIID will be applied to fees or charges established after such date but prior to the *Bighorn* decision.

As a result of the *Bighorn* decision, there can be no assurance that Proposition 218 will not limit the ability of the Authority and the City to impose, levy, charge and collect increased fees and charges for water service.

Numerous recent appellate court opinions interpret and apply Proposition 218 in the context of evaluating the validity of water-related fees and charges. The Authority is unable to predict at this time how Proposition 218 will ultimately be interpreted by the courts and what, if any, further implementing legislation will be enacted, and there can be no assurance that Proposition 218 will not limit the future ability of the City to impose, levy, charge and collect increased fees and charges for water.

Proposition 26

Proposition 26 was approved by the electorate at the November 2, 2010 election and amended California Constitution Articles XIII A and XIII C. The proposition imposes a two-thirds voter approval requirement for the imposition of fees and charges by the State. It also imposes a majority voter approval requirement on local governments with respect to fees and charges for general purposes, and a two-thirds voter approval requirement with respect to fees and charges for special purposes. Proposition 26, according to its supporters, is intended to prevent the circumvention of tax limitations imposed by the voters in California Constitution Articles XIII A, XIII C and XIII D of the California Constitution pursuant to Proposition 13, approved in 1978, Proposition 218, approved in 1996, and other measures through the use of non-tax fees and charges. Proposition 26 expressly excludes from its scope 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 cost to the State or local government of providing the service or product to the payor. Proposition 26 applies to charges imposed or increased by local governments after the date of its approval. The Authority believes that the City's current rates and charges for the Water Enterprise are not taxes under Proposition 26.

Recent appellate court opinions interpret and apply Proposition 26 in the context of evaluating the validity of water-related fees and charges. The Court of Appeal in *Newhall County Water Dist. v. Castaic Lake Water Agency*, 243 Cal. App. 4th 1430 (2016) invalidated a rate structure adopted by Castaic Lake Water Agency in 2013 because that agency could not, in accordance with Proposition 26, properly base its rates for imported water on retail water purveyors' use of groundwater. Castaic Lake Water Agency did not supply groundwater and the Court of Appeal found that it lacked statutory authority to regulate groundwater. The Authority is unable to predict at this time how Proposition 26 will be interpreted by the courts or what its ultimate impact will be.

Constitutional Limit on Appropriations

Under Article XIII B of the California Constitution, state and local government entities have an annual "appropriations limit" which limits their ability to spend certain moneys called "appropriations subject to limitation," which consists of tax revenues, certain state subventions and certain other moneys, including user charges to the extent they exceed the costs reasonably borne by the entity in providing the service for which it is levying the charge. In general terms, the "appropriations limit" is to be based on certain Fiscal Year 1978-79 expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population, and expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population, and services provided by these entities. Among other provisions of Article XIII B, if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. The Authority is of the opinion that the rates and use charges imposed by the City on behalf of the Authority in connection with the Water Enterprise do not exceed the costs the Authority reasonably bears in providing water service.

No Obligation to Tax

The obligation of the Authority to pay the debt service payments on 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 debt service payments on the Bonds does not constitute a debt or indebtedness of the City or the State of California or any of its political subdivisions, within the meaning of any constitutional or statutory debt limitation or restriction.

Natural Disasters

The occurrence of an earthquake, fire, wildfire, drought, flooding or other natural disaster which resulted in significant damage within the City or otherwise significantly impacted the economy of the City could materially adversely affect the financial condition of the City. In addition, the City's economy could be impacted in the future by potential future increased state or federal regulations.

Earthquakes are considered a threat to the City due to the highly active seismic region in which the City lies and the proximity of fault zones, which could influence the entire southern coastal portion of the State. Although no major earthquake has caused substantial damage to the City, the City is located over the San Andreas Fault.

An earthquake along one of the faults in the vicinity of the City, either known or unknown, could cause a number of casualties and extensive property damage. The effects of such an earthquake could be aggravated by aftershocks and secondary effects such as fires, landslides, dam failure, liquefaction and other threats to public health, safety and welfare. The potential direct and indirect consequences of a major earthquake could easily exceed the resources of the City.

The City generally is not located within a 100-year floodplain.

Drought

[To be reviewed by the City.] Droughts that have had an adverse effect on California water supplies occurred in 1976, 1977 and 1987 through 1992, 2008 through 2011, and 2012 through early 2017. The 2012 drought lasted for five years and was one of the worst on record for the State.

Due to drought conditions and court-ordered restrictions, which reduced water deliveries from the State Water Project, on January 17, 2014, then-Governor Jerry Brown declared a State-wide Drought State of Emergency. As of such date, the State faced water shortfalls due to the driest year in recorded State history; California's river and reservoirs were below their record low levels, and manual and electronic readings recorded the water content of snowpack at the highest elevations in the State (chiefly in the Sierra Nevada mountain range) at about 20% of normal average for the winter season. As part of his State of Emergency declaration, then-Governor Brown directed State officials to expedite existing conservation grant programs, facilitate water transfers, conduct a water conservation and outreach campaign in cooperation with local water agencies and organizations, and take additional drought response and water conservation actions. He further directed State officials to assist agricultural producers and communities that may be economically impacted by dry conditions. Following the Governor Brown's declaration, the State Water Board issued a statewide notice of water shortages and potential future curtailment of water right diversions.

On April 1, 2015, the then-Governor Brown issued an executive order mandating certain water conservation measures, including a requirement that the State Water Board impose restrictions to achieve

a statewide 25% reduction in urban water usage, through February 28, 2016. On November 13, 2015, the then-Governor Brown issued a subsequent executive order mandating that, should drought conditions persist through January 2016, such reductions in urban water usage shall remain in effect through October 31, 2016. As of December 31, 2015, the cumulative statewide reduction in urban water usage was almost 1.1 million acre-feet of water saved, and putting the State 91% of the way to meeting the 1.2 million acre-foot savings goal to be achieved through February 2016.

On May 9, 2016, then-Governor Brown issued a further executive order pursuant to which certain urban water usage emergency drought regulations, including bans on hosing down driveways and watering laws within 48 hours of a rainstorm, will remain in place indefinitely. Urban water suppliers, including the City, will be required to report their water use to the State each month and to develop plans to get through long-term periods of drought. On May 18, 2016, the State suspended the statewide 25% reduction in urban water usage, instructing local communities to set their own conservation standards. The City set a goal to conserve 10% of urban water usage based on the direction provided by the State. Both of the May 2016 executive orders were issued in response to a winter in which an El Niño weather pattern caused excess rainfall in the northern part of the State but did not provide enough rainfall in the southern part of the State to fully ameliorate drought conditions.

Following unprecedented water conservation and plentiful winter rain and snow, then-Governor Brown ended the drought state of emergency in most of California on April 7, 2017, while maintaining water reporting requirements and prohibitions on wasteful practices, such as watering during or right after rainfall. The State Water Board will maintain urban water use reporting requirements and prohibitions on wasteful practices such as watering during or after rainfall, hosing off sidewalks and irrigating ornamental turf on public street medians.

In 2018, then-Governor Brown signed Senate Bill 606 and Assembly Bill 1668 into law. These bills relate to water conservation and drought planning and empower the State of California Department of Water Resources (“DWR”) and the State of California Water Resources Control Board to adopt long-term standards for the following: (i) indoor residential water use; (ii) outdoor residential water use; (iii) commercial, industrial and institutional water use for landscape irrigation; and (iv) water loss. The indoor water use standard has been defined as 55 gallons per person per day (“GPCD”) until January 2025; the standard will decrease over time to 50 GPCD in January 2030. Standards for outdoor residential water use and commercial, industrial and institutional water use for landscape irrigation are still being developed. Urban water suppliers will be required to stay within annual water budgets, based on these standards, for their service areas.

The Authority is unable to predict the effect on the Water System of the implementation of Senate Bill 606 and Assembly Bill 1668 or any future legislation with respect to water conservation. [However, the Authority believes that it will be able to meet the 55 GPCD standard for indoor water use based on the current water demands and ongoing efforts to encourage conservation.]

On April 21, 2021, Governor Gavin Newsom directed State agencies to take immediate action to bolster drought resilience and prepare for impacts on communities, businesses and ecosystems should dry conditions which have existed since 2019 continue. In addition, on July 8, 2021, the Governor declared a drought state of emergency in 50 counties in northern and central California and requested that all water users voluntarily reduce water use by 15%. As of October 19, 2021, all 58 counties in California are under a drought state of emergency.

No assurance is hereby given that future limitations on water supplies in California will not be imposed by Executive Order.

Cybersecurity

The City relies on computers and technology to conduct its operations, including management of the Water System. The City and its departments face cyber threats from time to time including, but not limited to, hacking, viruses, malware and other forms of technology attacks. To date, there have been no significant, cyber-attacks on the City's computers and technologies.

While the City is routinely maintaining its technology systems and continuously implementing new information security controls, no assurances can be given that the City's security and operational control measures will be successful in guarding against all cyber threats and attacks. The results of any attack on the City's computer and technology could negatively impact the City's operations, and the costs related to such attacks could be substantial.

Hazardous Substances

The discovery of a hazardous substance that limits the beneficial use of taxable property within the City could result in the reduction in the assessed value of property, and therefore property tax revenue available to make debt service on the Bonds. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but State laws with regard to hazardous substances are also stringent and similar in effect. Under many of these laws, the owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the City be affected by a hazardous substance, could be to reduce the marketability and value of such property by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

Hazardous substance liabilities may arise in the future with respect to any of the property in the City as a result of the existence, currently, of a substance that is presently classified as hazardous but which has not been released or the release of which is not presently threatened. Hazardous substance liabilities may also arise in the future as a result of the existence, currently, on a parcel of a substance that is not presently classified as hazardous but which may in the future be so classified. Additionally, such liabilities may arise from the method of handling such a substance.

Risks Related to Coronavirus

The global outbreak of the novel coronavirus COVID-19 ("COVID-19"), a respiratory disease declared to be a pandemic (the "Pandemic") by the World Health Organization, significantly affected the national capital markets and national, state and local economies in various ways. Unemployment in the United States dramatically increased as a result of the Pandemic and triggered a nationwide recession in February 2020. The nationwide economy has largely recovered to pre pandemic levels. On April 2, 2020, Governor Newsom issued Executive Order N-42-20 establishing a moratorium on water service shutoffs to residential and certain business utility customers. This shutoff moratorium has been extended through December 31, 2021 with the passage of California Senate Bill 115. Under Generally Accepted Accounting Principles, water sales are considered to be revenue when the water is consumed by the customer and the Authority is thereby owed for the provision of the consumed water. As a result, charges for service revenues reflect all water sales regardless of cash collection. Water billings that are considered revenue but for which cash has not been received are reflected in the Authority's financial statements as accounts receivable. The Authority has evaluated the amount of unpaid customer accounts due to the pandemic and

believes the potential losses due to future write offs of unpaid utility accounts is immaterial to the Authority. The Authority's cash position is such that the cash flow effect of these uncollected balances will have no effect on any aspect of the Authority's operations. The pandemic has also not had a negative financial impact on the City.

There can be no assurance that more additional State measures or more restrictive safety protocols (including business closures) will not be imposed or reimposed in the future, depending on the course of the Pandemic, variants, a significant increase in the number of COVID-19 cases, updated guidance by the Centers for Disease Control and Prevention, or other factors. The actual impact of COVID-19 on the Authority will depend on future events, including future events outside of the control of the Authority, and actions by the federal government and the State. The Authority cannot predict the extent or duration of the outbreak or what overall impact it may have on the Authority. Any adverse impact of COVID-19 on the Authority, customers, operations, and finances in general cannot be predicted.

Statutory Changes and Initiatives

In addition to the other limitations described herein, the California electorate or Legislature could adopt legislation or an initiative, respectively, with the effect of (i) reducing Revenues payable to or collected by the City on behalf of the Authority for the Water Enterprise, (ii) adversely affecting the Authority's rights and powers, or (iii) imposing additional limitations or additional legal responsibilities on the City and the Authority with respect to the Water Enterprise. Furthermore, there is no assurance that such change in law would not at some future time adversely affect the Authority's ability to pay debt service on the Bonds.

Insurance

The City maintains liability and property insurance. This insurance does cover damage caused by earthquakes. Though the Authority believes that the City's coverages for the Water Enterprise are similar to those customarily maintained by similar utilities systems, no assurances can be given that (i) such insurance will be adequate to cover any property damage or liability of the City with respect to the Water Enterprise in all circumstances or that (ii) such insurance will be carried in a coverage amount sufficient to prevent a material adverse impact on the Net Revenues resulting from claims against the City with respect to the Water Enterprise or property damage sustained by the City and/or the Water Enterprise.

Early Redemption of Premium Bonds

Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated for federal tax purposes as having amortizable premium. If such Premium Bonds are redeemed prior to maturity (or, in some cases, prior to a scheduled redemption date) as described herein under "THE BONDS—Redemption of the 2022A Bonds," not all of the amortized premium may be realized by the Owner. The Premium Bonds are treated as all other Bonds for purposes of selection for redemption prior to maturity as described herein.

Limitations on Remedies Available; Bankruptcy

The enforcement of any rights and remedies provided in the Indenture, including but not limited to the remedy of acceleration of debt service payments, could be substantial and the process lengthy. 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. Any suit requesting accelerated payment of debt service and/or money damages would be subject to limitations on legal remedies against municipalities in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. See "THE BONDS—Acceleration" above.

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 legal opinions to be delivered concurrently with the Bonds (including Bond Counsel's approving opinion) will be qualified as to the enforceability of the Bond documents, including the Indenture, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by general principles of equity applied in the exercise or judicial discretion.

Loss of Tax Exemption

As discussed in this Official Statement under the caption "TAX MATTERS," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of future acts or omissions of the Authority in violation of its covenants in the Indenture. Should such an event of taxability occur, the Bonds are not subject to a special redemption and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Indenture.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, the United States Congress or the IRS might not change the Tax Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

Further, changes in law or circumstances during the Forward Delivery Period could impact the tax treatment of the 2022B Bonds and result in the inability of Bond Counsel to issue its opinion relating to the tax exemption applicable to the 2022B Bonds on the Settlement Date. See the caption "FORWARD DELIVERY OF THE 2022B BONDS—Certain Considerations Regarding Forward Delivery of the 2022B Bonds" for a description of various risks associated with the forward delivery of the 2022B Bonds.

Absence of Market for the Bonds

There can be no assurance that there will ever be a secondary market for purchase or sale of the Bonds, and from time to time there may be no market for them, depending upon prevailing market conditions, the financial condition or market position of firms that may make the secondary market, and the financial condition of the Authority or the City.

TAX MATTERS

General

Federal Income Taxes. The Code, imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to each Indenture and a tax and non-arbitrage certificate executed by the Authority and the City in connection with issuance of the Bonds (the “Tax Certificate”), the Authority and the City have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Authority and the City have made certain representations and certifications in the Indenture, the financing agreements and the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Bond Counsel, under existing law and assuming compliance with the aforementioned covenant including the satisfaction of certain terms and conditions provided in the 2022B Bond Purchase Agreement as described under the heading “FORWARD DELIVERY OF THE 2022B BONDS”, and the accuracy of certain representations and certifications made by the Authority and the City described above, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel, is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code.

Assuming no change in current law, Bond Counsel expects to render the opinion substantially in the form appearing in APPENDIX D to this Official Statement relating to the 2022B Bonds, if they are delivered on the Settlement Date.

State Taxes. Bond Counsel, is also of the opinion that, under existing statutes, interest on the Bonds is exempt from personal income taxes of the State of California under present law. Bond Counsel expresses no opinion as to other State or local tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds or the income therefrom under the laws of any state other than the State of California.

Original Issue Discount. Bond Counsel, is further of the opinion that the excess of the principal amount of a maturity of the Bonds over its issue price (i.e., the first price at which price a substantial amount of such maturity of the Bonds was sold to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) (each, a “Discount Bond” and collectively the “Discount Bonds”) constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such issue price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Original Issue Premium. Bonds sold at prices in excess of their principal amounts are “Premium Bonds”. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal

income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit, and taxpayers (including banks, thrift institutions, and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Bonds is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Nixon Peabody LLP, Bond Counsel, is not rendering any opinion as to any Federal tax matters other than those described in its opinion attached as part of APPENDIX D. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events. Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Bonds for Federal or state income tax purposes, and thus on the value or marketability of the Bonds. This could result from changes to Federal or state income tax rates, changes in the structure of Federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Bonds from gross income for Federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Bonds may occur. Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any change in law on the Bonds.

Nixon Peabody LLP, Bond Counsel, has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Bonds may affect the tax status of interest on the Bonds. Nixon Peabody LLP, Bond Counsel, expresses no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

CONTINUING DISCLOSURE

Current Undertaking. The Authority has covenanted for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the Bonds to the MSRB by not later March 31 of each year (the “Annual Report Filing Deadline”) with respect to the Authority’s most-recently-ended Fiscal Year (such financial information, the “Annual Report”) and to provide notices of the occurrence of certain enumerated events so long as the Bonds are outstanding. If the Annual Report Filing Deadline falls on a non-business day, then the Annual Report will be submitted on the next regularly scheduled business day. The Annual Report and notices of events will be filed by or on behalf the Authority with the MSRB, as repository, and in accordance with the requirements of Securities Exchange Commission Rule 15c2-12(b)(5) (the “Rule”).

The above covenants with respect to continuing disclosure have been made in order to assist the Underwriter in complying with the Rule. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in “APPENDIX E—FORM OF CONTINUING DISCLOSURE AGREEMENTS.”

Previous Undertakings.

The former redevelopment agency of the City, the Successor Agency to the City’s former redevelopment agency, the Coachella Financing Authority, the Coachella Sanitary District and the Authority, which are related entities to the City, have previously entered into continuing disclosure undertakings under Rule 15c2-12 in connection with the issuance of municipal obligations. In the past five years, certain material event notices disclosing ratings downgrades of the bond insurer for various bond issues of the City’s related entities and a notice of defeasance were not filed. **[To be reviewed.]** In order to correct these prior noncompliance issues and to ensure future compliance with all its continuing disclosure undertakings on a timely basis, the City has contracted with the Urban Futures, Inc., to act as dissemination agent and to prepare and perform the required filings for all of its continuing disclosure obligations. The dissemination agent submitted corrective filings with the MSRB with respect to the above-described matters.

The Dissemination Agent (defined below) will assist the Authority in timely filing the Annual Reports and notices of certain enumerated events in the future.

Future Undertakings. The Authority believes that it has implemented sufficient policies and procedures in order to ensure the timely and correct filing of future Annual Reports and notices of enumerated events required under its existing continuing disclosure obligations, including the obligation pertaining to the Bonds. The Authority has retained Urban Futures, Inc. to serve as its Dissemination Agent (the “Dissemination Agent”) with respect to the Authority’s continuing disclosure obligations for the Bonds.

NO LITIGATION

At the time of issuance of and payment for the Bonds, the Authority will certify that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, notice of which has been served on the Authority, at law or in equity before or by any court, government agency, public board or body, pending against the Authority, affecting the existence of the Authority or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the pledge and lien on the Net Revenues pursuant to the Indenture, or contesting or affecting as to the Authority the validity or enforceability of the Bond Law, the Bonds, the Indentures or the Lease Agreement, or contesting the tax-exempt status of interest on the Bonds, or contesting the

completeness or accuracy of this Official Statement, or contesting the powers of the Authority for the issuance of the Bonds, or the execution and delivery or adoption by the Authority of the Indenture or the Lease Agreement, or in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the Bond Law, as to the Authority, or the authorization, execution, delivery or performance by the Authority of the Bonds, the Indenture or the Lease Agreement.

FORWARD DELIVERY OF THE 2022B BONDS

Certain Considerations Regarding Forward Delivery of the 2022B Bonds

Forward Delivery. The Authority anticipates that the 2022B Bonds will be issued and delivered by the Authority to the Underwriter and purchased by the Underwriter (the “Settlement”) on or about the Settlement Date. The following is a description of certain provisions of the Bond Purchase Agreement, dated [May] __, 2022, between the Authority and the Underwriter with respect to the 2022B Bonds (the “2022B Bond Purchase Agreement”). This description is not to be considered a full statement of the terms of the 2022B Bond Purchase Agreement and accordingly is qualified by reference thereto and is subject to the full text thereof.

Until such time as the 2022B Bonds are issued and delivered by the Authority and purchased by the Underwriter on the Settlement Date, certain information contained in this Official Statement may change in a material respect. The Authority agrees in the 2022B Bond Purchase Agreement to update the Official Statement, if necessary in the judgment of the Underwriter or the Authority, so that the Official Statement as amended or supplemented does not contain any untrue statement of a material fact or omit to state a material fact that is necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Additionally, the Authority agrees in the 2022B Bond Purchase Agreement to prepare an Updated Official Statement, dated a date not more than twenty-five nor less than ten days prior to the Settlement Date, which, as of such date, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. References under the caption “—Certain Considerations Regarding Forward Delivery of the 2022B Bonds” to the Official Statement as of a specific date shall mean (i) at any point in time during the period from the date of this Official Statement to but not including the date of delivery of the Updated Official Statement to the Underwriter, this Official Statement, and (ii) from and after the date of delivery of the Updated Official Statement, the Updated Official Statement, in each case as amended or supplemented.

Conditions of Settlement. The issuance and purchase of the 2022B Bonds on the Settlement Date are subject to the satisfaction of certain conditions set forth in the 2022B Bond Purchase Agreement, including, among other things, the delivery to the Underwriter of certain documents and legal opinions on and as of the initial closing date and certain additional documents and legal opinions, and the satisfaction of other conditions, on and as of the Settlement Date, including the delivery to the Underwriter of: (i) the opinion of Bond Counsel, substantially in the form and to the effect set forth in Appendix C relating to the 2022B Bonds, (ii) the Updated Official Statement, and (iii) written evidence that, as of the Settlement Date, S&P has rated the 2022B Bonds. Changes or proposed changes in federal or state laws, court decisions, regulations or proposed regulations or rulings of administrative agencies occurring or in effect prior to the Settlement Date or the failure by the Authority to provide closing documents of the type customarily required in connection with the issuance of state and local government tax-exempt bonds

could prevent those conditions from being satisfied. None of the 2022B Bonds will be issued unless all of the 2022B Bonds are issued and delivered on the Settlement Date.

Termination of the 2022B Bond Purchase Agreement. The Underwriter has the right, between the date of the 2022B Bond Purchase Agreement and the Settlement Date, by written notice to the Authority, to cancel the Underwriter's obligation to purchase the 2022B Bonds if, in the Underwriter's sole and reasonable judgment, any of the following events occur during that time and cause the market price or marketability of the 2022B Bonds, or the ability of the Underwriter to enforce contracts for the sale of the 2022B Bonds, to be materially adversely affected:

- There shall have been a Change in Law. A "Change in Law" means (i) any change in or addition to applicable federal or state law, whether statutory or as interpreted by the courts or by federal or state agencies, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or state agencies; (ii) any legislation enacted by the Congress of the United States (if such enacted legislation has an effective date which is on or before the Settlement Date), (iii) any law, rule or regulation enacted by any governmental body, department or agency (if such enacted law, rule or regulation has an effective date which is on or before the Settlement Date) or (iv) any judgment, ruling or order issued by any court or administrative body, which in any such case would, (A) as to the Underwriter prohibit the Underwriter from completing the underwriting of the 2022B Bonds or selling the 2022B Bonds or beneficial ownership interests therein to the public, or (B) as to the Authority, would make the completion of the issuance, sale or delivery of the 2022B Bonds illegal.
- As a result of any legislation, regulation, ruling, order, release, court decision or judgment or action by the U.S. Department of the Treasury, the Internal Revenue Service, or any agency of the State either enacted, issued, effective, adopted or proposed (but only with respect to any such proposed legislation, regulation, ruling, order, release, court decision or judgment or action that continues to be proposed as of the Settlement Date), or for any other reason, Bond Counsel cannot issue an opinion substantially in the form of Appendix C to the Official Statement as to the tax-exempt status of the 2022B Bonds.
- There shall have occurred (A) an outbreak or escalation of hostilities or the declaration by the United States of a national emergency or war or (B) any other calamity or crisis in the financial markets of the United States or elsewhere.
- A general suspension of trading on the New York Stock Exchange or other major exchange shall be in force, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on any such exchange, whether by virtue of determination by that exchange or by order of the U.S. Securities and Exchange Commission ("SEC") or any other governmental authority having jurisdiction.
- A general banking moratorium has been declared by federal, New York or State authorities and shall remain in effect.
- Legislation shall have been enacted by the Congress of the United States or shall have been favorably reported out of committee or be pending in committee, or shall have been recommended to the Congress for passage by the President of the United States, or a

decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation or statement by or on behalf of the SEC or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that any obligations of the general character of the 2022B Bonds, or any comparable securities of the Authority, are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, the Securities Exchange Act of 1934 or the Trust Indenture Act of 1939 or otherwise, or would be in violation of any provision of the federal securities laws.

- Any event or circumstance exists that either makes untrue or incorrect, in a material respect, any statement or information contained in the Official Statement, or is not reflected in the Official Statement but should be reflected in the Official Statement in order to make the statements and information contained in the Official Statement not misleading in any material respect and, in either such event, the Authority refuses to permit the Official Statement to be supplemented to supply such statement or information, or the effect of the Official Statement as so supplemented is to materially adversely affect the market price or marketability of the 2022B Bonds or the ability of the Underwriter to enforce contracts for the sale of the 2022B Bonds.
- Additional material restrictions not in force as of the date of the 2022B Bond Purchase Agreement shall have been imposed upon trading in securities generally by any federal, State or New York governmental authority or by any United States national securities exchange.
- The New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose as to the 2022B Bonds or securities of the general character of the 2022B Bonds any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by or the charge to the net capital requirements of the Underwriter.
- The Authority does not deliver a certification as of the Settlement Date to the effect that (A) the evidence of the ratings on the 2022B Bonds delivered at and as of the initial closing date remains accurate or (B) the ratings on the 2022B Bonds at and as of the Settlement Date are as stated in such certification.

Forward Delivery Contract. The Underwriter reserves the right to obligate investors purchasing the 2022B Bonds (each, a “Purchaser”) to execute a Forward Delivery Contract (the “Forward Delivery Contract”) in substantially the form set forth in Appendix G. The Forward Delivery Contract provides that the Purchaser will remain obligated to purchase the 2022B Bonds, even if the Purchaser decides to sell the purchased bonds following the date of the Forward Delivery Contract. ***The Authority will not be a party to any Forward Delivery Contract, and the Authority is not in any way responsible for the performance thereof or for any representations or warranties contained therein.*** The rights and obligations under the 2022B Bond Purchase Agreement are not conditioned or dependent upon the performance of any Forward Delivery Contract. Pursuant to the terms of the Forward Delivery Contract, upon issuance by the Authority of the 2022B Bonds and purchase thereof by the Underwriter, the obligation of the Purchaser to take delivery of the Purchased 2022B Bonds (as defined in the Forward Delivery Contract) under the Forward Delivery Contract shall be unconditional unless:

- the Authority fails to deliver the 2022B Bonds as set forth in the 2022B Bond Purchase Agreement or fails or is unable to comply with all of the conditions to settlement set forth in the 2022B Bond Purchase Agreement on the Settlement Date, or
- the Underwriter terminates its agreement to purchase the 2022B Bonds on the Settlement Date for re-sale to the Purchaser upon the occurrence of an event described in the Official Statement under this caption “—Certain Considerations Regarding Forward Delivery of the 2022B Bonds.” Upon the occurrence of such an event, the Underwriter, not the Purchaser, will make the decision whether to terminate the 2022B Bond Purchase Agreement.

See Appendix G—“FORM OF FORWARD DELIVERY CONTRACT.”

Additional Risks Relating to Forward Delivery Period. Between the date of the 2022B Bond Purchase Agreement and the Settlement Date (the “Forward Delivery Period”), certain information contained in this Official Statement may change in material respects. Any changes in such information will not permit the Underwriter to terminate the 2022B Bond Purchase Agreement or release the purchasers of their obligation to purchase the 2022B Bonds unless the change reflects an event described under the caption “—*Termination of 2022B Bond Purchase Agreement*” above. In addition to the risks set forth above and under “RISK FACTORS—Investment Risk,” purchasers of the 2022B Bonds are subject to certain additional risks, some of which are described below.

Ratings Risk. No assurances can be given that ratings assigned to the 2022B Bonds on the Settlement Date will not be different from those currently assigned to the 2022B Bonds. Issuance of the 2022B Bonds and the Underwriter’s obligations under the 2022B Bond Purchase Agreement are not conditioned upon the assignment of any particular ratings for the 2022B Bonds or the maintenance of the initial ratings of the 2022B Bonds.

Secondary Market Risk. The Underwriter is not obligated to make a secondary market for the 2022B Bonds, and no assurance can be given that a secondary market will exist for the 2022B Bonds during the Forward Delivery Period or at any time thereafter. Prospective purchasers of the 2022B Bonds should assume that there will be no secondary market for the 2022B Bonds during the Forward Delivery Period.

Market Value Risk. The market value of the 2022B Bonds as of the Settlement Date may be affected by a variety of factors, including, without limitation, general market conditions, the financial condition of the Authority and the State, assessed values within the Project Areas, and federal and state tax, securities and other laws. The market value of the 2022B Bonds as of the Settlement Date could therefore be higher or lower than the price to be paid by the initial purchasers of the 2022B Bonds, and that difference could be substantial. Neither the Authority nor the Underwriter makes any representations as to the expected market value of the 2022B Bonds as of the Settlement Date.

Tax Law Risk. Subject to the other conditions of Settlement and the Underwriter’s rights of termination described above, the 2022B Bond Purchase Agreement obligates the Authority to deliver, and the Underwriters to accept, the 2022B Bonds if the Authority delivers an opinion of Bond Counsel substantially in the form and to the effect set forth in Appendix D relating to the 2022B Bonds. Notwithstanding that the enactment of new legislation, new court decisions or the promulgation of new regulations or rulings might diminish the value of, or otherwise affect, the exclusion from gross income of interest payable on “state or local bonds” (such as the 2022B Bonds) for federal income tax purposes, the Authority might be able to satisfy the requirements for the delivery of the 2022B Bonds. In such event, the purchasers would be required to accept delivery of the 2022B Bonds. Prospective purchasers are

encouraged to consult their tax advisors regarding the likelihood of any such changes in tax law and the consequences of such changes to the purchasers. See the caption “TAX MATTERS” herein.

CONCLUDING INFORMATION

Underwriting

The Authority has agreed to sell the Bonds to Stifel, Nicolaus & Company Incorporated (the “Underwriter”). The Underwriter has agreed, subject to certain conditions, to purchase the 2022A Bonds at a purchase price of \$_____ (the principal amount of the 2022A Bonds, [plus/less] [net] original issue [premium/discount] of \$_____ and less an underwriting discount of \$_____). The Underwriter has agreed, subject to certain conditions, to purchase the 2022B Bonds at a purchase price of \$_____ (the principal amount of the 2022B Bonds, [plus/less] [net] original issue [premium/discount] of \$_____ and less an underwriting discount of \$_____). The obligations of the Underwriter are subject to certain conditions precedent, and it will be obligated to purchase all such Bonds if any such Bonds are purchased. The Underwriter intends to offer the Bonds to the public initially at the prices and/or yield set forth on the cover page of this Official Statement, which prices or yields may subsequently change without any requirement of prior notice.

The Underwriter has entered into an agreement with its affiliate, Vining-Sparks IBG, LLC (“Vining-Sparks”) for the distribution of certain municipal securities offerings at the original issue price. Pursuant to that distribution agreement, Vining-Sparks may purchase Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that Vining-Sparks sells.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers. In reoffering Bonds to the public, the Underwriter may over allot or effect transactions which stabilize or maintain the market prices for Bonds at levels above those which might otherwise prevail. Such stabilization, if commenced, may be discontinued at any time.

Ratings

S&P is expected to assign its municipal bond rating of “[]” to the Bonds, with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of the principal of and interest on the Bonds will be issued by the Insurer. In addition, S&P has assigned their municipal bond rating of “[]” to the Bonds, notwithstanding the delivery of the Insurance Policy. Such ratings reflect only the views of the rating agency and any desired explanation of the significance of such ratings should be obtained from S&P at the following address: S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, 55 Water Street, 45th Floor, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if, in the judgment of such rating agency, circumstances so warrant. The Authority does not undertake any responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Legal Opinions

All legal matters in connection with the issuance of the Bonds are subject to the approval of Nixon Peabody LLP, Los Angeles, California, as Bond Counsel. A copy of the approving opinions of Bond Counsel will be provided to the registered owners of the Bonds, and the forms of such opinions are attached hereto as APPENDIX D. Certain legal matters will be passed upon by the City Attorney for the City of Coachella, as counsel to the Authority, and by Nixon Peabody LLP, Los Angeles, California, Disclosure Counsel. The Underwriter is being represented by its counsel, Kutak Rock LLP, Irvine, California. From time to time, Bond Counsel and Disclosure Counsel may represent the Underwriter on matters not related to the Bonds.

Municipal Advisor

The Authority has retained Urban Futures, Inc. Tustin, California, as municipal advisor (the “Municipal Advisor”) in connection with the preparation of this Official Statement and with respect to the delivery of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness of fairness of the information contained in this Official Statement. 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.

Professional Fees

In connection with the execution and delivery of the Bonds, fees payable to Bond Counsel, Disclosure Counsel, Underwriter’s Counsel, the Municipal Advisor and the Trustee are contingent upon the execution and delivery of the Bonds.

Miscellaneous

Some of the data contained herein has been taken or constructed from Authority and City records. Appropriate officials of the Authority, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. The execution and delivery of this Official Statement has been duly authorized by the Authority Board.

COACHELLA WATER AUTHORITY

By: _____
Executive Director

APPENDIX A

SUMMARY OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture. The following also includes definitions of certain terms used therein and in this Official Statement. Such summary is not intended to be definitive. Reference is directed to the Indenture for the complete text thereof. Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. Copies of the Indenture are available from the Authority and from the Trustee.

[TO COME]

APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF COACHELLA AND RIVERSIDE COUNTY

The following information concerning the City of Coachella and Riverside County is included only for the purpose of supplying general information regarding the area of the City. The Bonds are not a debt of the City, the County, the State or any of its political subdivisions, and none of the City, the County, the State nor any of their political subdivisions, except for the Authority, is liable therefor.

General

The City is located in Riverside County, in the center of the Coachella Valley, approximately 134 miles east of Los Angeles, 553 miles south of San Francisco and 22 miles southeast of Palm Springs. Coachella covers an area in excess of 19 square miles at an average elevation of 67 feet below sea level.

Incorporated in 1946, the City operates as a general law city. It has a council-manager form of government, with five City Council members elected at large for staggered four-year terms. The City Council elects one of the Council members as Mayor.

Population

The following table presents population statistics for the City for the years shown.

CITY OF COACHELLA POPULATION

<u>January 1</u>	<u>Population</u>
2012	42,336
2013	43,210
2014	44,101
2015	44,486
2016	44,940
2017	45,273
2018	45,777
2019	46,885
2020	47,583
2021 ⁽¹⁾	41,941

Source: California State Department of Finance,
Demographic Research Unit.

⁽¹⁾ U.S. 2020 Census.

Building Activity

Building permit valuation in the City decreased from \$65,103,856.54 in 2020 to \$45,503,913.44 in 2021. The following table details residential and nonresidential valuations, and new single family and multifamily permits approved in the City for the years 2017 through 2021.

CITY OF COACHELLA BUILDING PERMIT VALUATIONS 2017-2021

Year ending December 31	Total Valuation	Residential	Non-Residential	Existing	Single Family Permits Issued	Multifamily Permits Issued
2017	\$28,664,663.86	\$7,845,900.10	\$13,156,583.85	7,662,179.91	5	80
2018	31,182,178.58	0	25,069,802.15	6,112,376.43	0	0
2019	27,917,534.69	18,865,311.64	530,650.10	8,521,572.95	76	0
2020	65,103,856.54	48,630,056.63	6,838,819.58	9,634,980.33	170	105
2021	45,503,913.44	16,359,000.78	2,865,023.04	26,279,889.62	81	0

Source: City of Coachella.

Industry and Employment

The following table summarizes the civilian labor force, employment and unemployment figures for the years 2016 through 2020 for the City and for the County.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT Yearly Average for Years 2016 through 2020

<u>City of Coachella</u>				
	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2016	19,600	17,000	2,700	13.6%
2017	19,800	17,400	2,400	12.3
2018	20,000	17,800	2,200	11.0
2019	20,000	17,900	2,100	10.3
2020	20,000	16,900	3,200	15.8

<u>County of Riverside</u>				
	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2016	1,051,600	987,200	64,400	6.1%
2017	1,071,600	1,014,900	56,700	5.3
2018	1,090,100	1,041,500	48,600	4.5
2019	1,105,700	1,058,700	47,000	4.2
2020	1,107,700	997,700	110,000	9.9

Source: California Employment Development Department.

Riverside County is a part of the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (“MSA”), which includes all of Riverside and San Bernardino Counties. In addition to varied manufacturing employment, the MSA has large and growing commercial and service sector employment, as reflected in the following table.

**RIVERSIDE-SAN BERNARDINO-ONTARIO MSA
ANNUAL AVERAGE EMPLOYMENT
(In Thousands)**

Industry	2016	2017	2018	2019	2020
Agriculture	14,600	14,500	14,500	15,400	13,900
Construction	92,000	97,400	105,200	107,200	105,000
Finance, Insurance and Real Estate	39,500	39,100	38,700	39,100	38,400
Government	242,300	251,000	257,200	261,200	249,100
Manufacturing:					
Nondurables	33,100	34,000	34,700	35,600	34,600
Durables	64,400	64,100	65,100	65,000	59,700
Mining and Logging	900	1,000	1,200	1,200	1,300
Retail Trade	178,300	180,900	181,200	180,700	168,800
Service Providing	1,211,000	1,256,400	1,299,900	1,343,200	1,287,400
Trade, Transportation and Utilities	346,300	363,400	378,800	394,400	403,800
Wholesale Trade	61,600	62,600	65,500	67,100	64,600
Information, Publishing and Telecommunications	18,800	18,700	18,300	18,400	15,900
TOTAL⁽¹⁾	<u>1,416,000</u>	<u>1,467,300</u>	<u>1,520,500</u>	<u>1,567,500</u>	<u>1,501,800</u>

⁽¹⁾ The employment figures by industry which are shown above are not directly comparable to the “Total, All Industries” employment figures due to rounded data.

Development of Riverside County and the Coachella area has brought a number of large firms to the area. Much of the City’s economy involves agribusiness, with the major crops being grapes, grapefruit and dates.

Major Employers

The following table lists the largest employers in the City as of June 30, 2020.

PRINCIPAL EMPLOYERS

Name of Company	Employment	Type of Business
Coachella Valley Unified School District	530	Education
Spotlight 29 Casino	496	Casinos
Ernie Ball Inc./Paladar	380	Manufacturing – Music Supplies
Augustine Casino	314	Casinos
Armtec Defense (Subsidiary of Esterling Defense Technology)	236	Manufacturing - Defense
Valley Pride	200	Crop Harvesting
Coachella Valley Water District	194	Water and Wastewater Services Provider
Teserra Outdoors (formerly California Pools)	156	Pool Installation and Services
Cardenas (Market #18)	118	Groceries
Coca-Cola Enterprise Inc.	103	Manufacturer and Distributer

Source: City of Coachella.

Commercial Activity

Taxable sales in the County totaled approximately \$41,918,022,541 in 2020, the most recent full year for which figures are available. The following shows the taxable transactions of the County for the years shown, as provided by the California Department of Tax and Fee Administration.

COUNTY OF RIVERSIDE TAXABLE TRANSACTIONS (In Thousands)

Types of Business	2017	2018	2019	2020
Motor Vehicle and Parts Dealers	\$ 5,348,812	\$ 5,407,139	\$ 5,554,741	\$ 5,786,471
Home Furnishings and Appliance Stores	1,730,566	1,962,650	2,104,126	2,097,785
Building Materials and Garden Equipment and Supplies	2,161,593	2,346,508	2,500,049	3,091,784
Food and Beverage Stores	1,666,856	1,790,507	1,822,075	1,938,871
Gasoline Stations	2,933,668	3,381,768	3,383,756	2,622,849
Clothing and Clothing Accessories Stores	2,199,517	2,315,433	2,361,700	1,824,772
General Merchandise Stores	3,375,623	3,560,755	3,967,112	4,122,094
Food Services and Drinking Places	3,852,753	4,004,657	4,282,201	3,547,301
Other Retail Group	2,586,954	3,273,276	3,087,294	5,031,911
Total Retail and Food Services	25,856,341	28,042,692	29,063,054	30,063,839
All Other Outlets	10,551,119	10,876,806	11,563,944	11,854,184
Total All Outlets	<u>\$36,407,460</u>	<u>\$38,919,498</u>	<u>\$40,626,998</u>	<u>\$41,918,023</u>

Source: California Department of Tax and Fee Administration.

APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR 2019-20

APPENDIX D

FORM OF FINAL OPINION OF BOND COUNSEL

Upon the delivery of the Bonds, Nixon Peabody LLP proposes to render its final approving opinion with respect to the Bonds in substantially the following form:

Coachella Water Authority
Lynwood, California

Re: \$ _____ Coachella Water Authority Enterprise Revenue Bonds, [2022A][2022B] Series

Ladies and Gentlemen:

We have acted as Bond Counsel to the Coachella Water Authority (the “Authority”) in connection with the issuance of the above-captioned bonds (the “Bonds”), issued pursuant to an Indenture of Trust, dated as of [February][May] 1, 2022 (the “Indenture”), by and between the Authority and Wilmington Trust, National Association, as trustee (the “Trustee”). Capitalized terms used but not defined herein shall have the meaning ascribed to such term as set forth in the Indenture.

As Bond Counsel, we have examined copies, certified to us as being true and complete, of the Indenture, certificates of the Authority, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have not undertaken to verify independently the accuracy of the factual matters represented, warranted or certified therein, and we have assumed the genuineness of all signatures thereto.

We have, with your approval, assumed that all items submitted to us as originals are authentic and that all items submitted as copies conform to the originals.

On the basis of such examination, our reliance upon the assumptions contained herein and our consideration of such questions of law as we considered relevant, and subject to the limitations and qualifications in this opinion, we are of the opinion that:

1. The Bonds constitute the valid and binding limited obligations of the Authority.
2. The Indenture has been duly executed and delivered by, and, assuming due authorization, execution and delivery by the other parties thereto, constitutes the legally valid and binding obligation of, the Authority, enforceable in accordance with its terms. The Indenture establishes a valid lien on and a pledge of the Net Revenues (as defined in the Indenture) for the security of the Bonds. Enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting the enforcement of creditors' rights generally, the exercise of judicial discretion, the application of equitable principles if equitable remedies are sought and limitations on remedies against counties in the State of California.
3. Interest on the Bonds is exempt from personal income taxes of the State of California under present state law.

4. The Internal Revenue Code of 1986 (the “Code”) sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Indenture, and the Tax Certificate, the Authority and the City have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Authority and the City have made certain representations and certifications in the Indenture and the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code.

The opinions set forth in paragraphs 1 and 2 above are subject to (a) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors’ rights generally (including, without limitation, fraudulent conveyance laws), (b) the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and (c) the limitations on legal remedies against government entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the Indenture, and we express no opinion on the laws of any jurisdiction other than the State of California and the United States of America.

Except as stated in paragraphs 3 and 4, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

No opinion is expressed herein on the accuracy, completeness or sufficiency of any offering material relating to the Bonds. This opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters.

We do not undertake to advise you of any subsequent events or developments which might affect the statements contained herein. Our engagement with respect to this matter has ended as of the date hereof, and we disclaim any obligation to update this letter.

Respectfully submitted,

APPENDIX E
FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by and between the Coachella Water Authority (the “Authority”) and Urban Futures, Inc., as dissemination agent (the “Dissemination Agent”), in connection with the issuance and delivery of \$ _____ Coachella Water Authority Water Revenue Refunding Bonds, [2022A Series][2022B Series] (the “Bonds”). The Bonds are issued pursuant to an Indenture of Trust, dated as of [February 1, 2022][May 1, 2022] (the “Indenture”), by and between the Authority and Wilmington Trust, National Association (the “Trustee”).

Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Authority for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

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

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

“Annual Report Date” shall mean March 31 of each year (beginning on March 31, [2022][2023]).

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

“Fiscal Year” shall mean the one-year period ending on June 30 of each year.

“Holder” shall mean a registered owner of the Bonds.

“Listed Events” shall mean any of the events listed in Section 5 of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

SECTION 3 Provision of Annual Reports.

(a) The Authority shall provide, or cause the Dissemination Agent to provide, not later than the Annual Report Date to MSRB an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Agreement, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement. The Authority shall satisfy the requirement of filing the Annual Report for the Fiscal Year ending June 30, 2021 by filing the audited financial statements of the Authority for the Fiscal Year ending June 30, 2021.

(b) Not later than 15 business days prior to the Annual Report Date the Authority shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Authority to determine if the Authority is in compliance with the first sentence of this subsection (b).

(c) If the Authority is unable to provide to MSRB an Annual Report by the date required in subsection (a), the Authority, in a timely manner, shall send to MSRB a notice in substantially the form attached hereto as Exhibit A.

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

1. The audited financial statements of the Authority for the most recently completed Fiscal Year, prepared in accordance with generally accepted accounting principles for governmental enterprises as prescribed from time to time by any regulatory body with jurisdiction over the Authority and by the Governmental Accounting Standards Board. If the Authority's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

2. An update, for the fiscal year ended the June 30 next preceding the Annual Report Date, of the following tables contained in the Official Statement (to the extent not included in the audited financial statements described in paragraph (1) above):

3. Table 1 – Leading Users of the Water Enterprise
4. Table 3 – Water Enterprise Production and Number of Accounts
5. Table 4 – Water Account User Composition
6. Table 5 – Historical Financial Results
7. Table 6 – State of Net Position
8. Table 7 – Historical Financial Results and Debt Service Coverage

In addition to any of the information expressly required to be provided under subsections (1) and (2) of this Section, the Authority shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, which are available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission.

SECTION 5 Reporting of Listed Events. The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds (in each case to the extent applicable) in a timely manner not more than ten business days after the occurrence of the event:

1. principal or interest payment delinquencies;
2. non-payment related defaults, if material;
3. modifications to the rights of the Holders, if material;
4. optional, contingent or unscheduled calls, if material, and tender offers;
5. defeasances;
6. rating changes;
7. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
8. unscheduled draws on the debt service reserves reflecting financial difficulties;
9. unscheduled draws on the credit enhancements reflecting financial difficulties;
10. substitution of the credit or liquidity providers or their failure to perform;
11. release, substitution or sale of property securing repayment of the Bonds, if material;
12. bankruptcy, insolvency, receivership or similar proceedings of the Authority, which shall occur as described below;
13. appointment of a successor or additional trustee or the change of name of a trustee, if material;
14. the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
15. incurrence of a financial obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority, any of which affect security holders, if material; or
16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Authority, any of which reflect financial difficulties.

For these purposes, any event described in item 12 of this Section 5 is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Authority in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

The term financial obligation means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (3) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

SECTION 6 Termination of Obligation. The Authority's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 7 Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing 30 days' written notice to the Authority and the Trustee (if the Trustee is not the Dissemination Agent). The Dissemination Agent shall have no duty to prepare or review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the Authority in a timely manner and in a form suitable for filing.

SECTION 8 Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Authority shall give notice of such amendment or waiver in the same manner as for a Listed Event under Section 5.

SECTION 9 Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Authority shall not thereby have any obligation under this Disclosure Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 10 Default. In the event of a failure of the Authority to comply with any provision of this Disclosure Agreement, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority to comply with this Disclosure Agreement shall be an action to compel performance.

No Holder or Beneficial Owner of the Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the Authority satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the Authority shall have refused to comply therewith within a reasonable time.

SECTION 11 Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent (if other than the Authority) shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Authority agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Authority for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to them hereunder and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Holders, or any other party. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent hereunder, seeking any remedy other than to compel specific performance of this Disclosure Certificate. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Certificate.

SECTION 12 Filings with the MSRB. All financial information, operating data, financial statements, notices, and other documents provided to MSRB in accordance with this Disclosure Agreement shall be provided in an electronic format prescribed by MSRB and shall be accompanied by identifying information as prescribed by MSRB.

SECTION 13 Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14 Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: _____

COACHELLA WATER AUTHORITY

Authorized Signatory

URBAN FUTURES, INC., as Dissemination Agent

Authorized Signatory

APPENDIX F

THE BOOK-ENTRY SYSTEM

The information concerning DTC set forth herein has been supplied by DTC, and neither the Authority nor the City assumes no responsibility for the accuracy thereof.

Unless a successor securities depository is designated pursuant to the Indenture, DTC 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 maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC and Its Participants. 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 Enterprise, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing corporation" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 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 transfer and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC) as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks and 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 been rated "AA+" by S&P. The DTC Rules applicable to its Participants are on file with the Securities Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchase of Ownership Interests. Purchases of the 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 securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices and Other Communications. 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. THE CITY AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS.

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

Voting Rights. Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to an issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption Proceeds. Payments of principal and interest 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 on interest payment dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the interest payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC is the responsibility of 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.

THE TRUSTEE AND THE CITY SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, ANY BENEFICIAL OWNER OR ANY OTHER PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE BONDS UNDER OR THROUGH DTC OR ANY DTC PARTICIPANT, OR ANY OTHER PERSON WHICH IS NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING AN OWNER OF BONDS, WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OF, AND PREMIUM, IF ANY, OR INTEREST ON THE BONDS; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO OWNER OF THE BONDS UNDER THE INDENTURE; THE SELECTION BY DTC OR ANY DIRECT OR

INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; ANY CONSENT OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE BONDS; OR ANY OTHER PROCEDURES OR OBLIGATIONS OF DTC UNDER THE BOOK-ENTRY SYSTEM.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS (EXCEPT FOR THE MATTERS UNDER THE CAPTION "TAX MATTERS" HEREIN)

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

Discontinuance of Book-Entry System. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered as described in the Indenture.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered as described in the Indenture.

APPENDIX G

FORM OF FORWARD DELIVERY CONTRACT

The Underwriter reserves the right to obligate investors purchasing the 2022B Bonds to execute a Forward Delivery Contract in substantially the following form.

Re: Coachella Water Authority Revenue Refunding Bonds, 2022B Series
(the “2022B Bonds”)

Ladies and Gentlemen:

The Purchaser designated below and executing this instrument (the “Purchaser”) hereby agrees to purchase when, as, and if issued and delivered by the Coachella Water Authority (the “Authority”) to Stifel, Nicolaus & Company, Incorporated, as underwriter (the “Underwriter”), and the Underwriter agrees to sell to the undersigned,

<i>Maturity Date</i>	<i>Par Amount</i>	<i>Coupon</i>	<i>CUSIP Number</i>	<i>Yield</i>	<i>Price</i>
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of the above-referenced 2022B Bonds (the “Purchased 2022B Bonds”) offered by the Authority’s Preliminary Official Statement dated [____], 2021 and the Official Statement dated _____, 2021 (the “Official Statement”), receipt of copies of which is hereby acknowledged, at a purchase price (plus accrued interest, if any, from the date of the initial delivery of the Purchased 2022B Bonds), at the interest rates, in the principal amounts and with maturity dates shown above, and on the further terms and conditions set forth in this Forward Delivery Contract.

The Purchaser hereby confirms that it has reviewed the Official Statement (including without limitation the information under the heading “FORWARD DELIVERY OF THE 2022B BONDS— Certain Considerations Regarding Forward Delivery of the 2022B Bonds” therein), has considered the risks associated with purchasing the Purchased 2022B Bonds and is duly authorized to purchase the Purchased 2022B Bonds. The Purchaser further acknowledges and agrees that the Purchased 2022B Bonds are being sold on a “forward” basis, and the Purchaser hereby purchases and agrees to accept delivery of such Purchased 2022B Bonds from the Underwriter on or about May __, 2022 (the “Settlement Date”) as they may be issued pursuant to the Forward Delivery Bond Purchase Agreement between the Authority and the Underwriter (the “Bond Purchase Agreement”). A copy of the Bond Purchase Agreement is available from the Underwriter upon request.

Payment for the Purchased 2022B Bonds that the Purchaser has agreed to purchase on the Settlement Date shall be made to the Underwriter by wire transfer to a bank account specified by the Underwriter, on the Settlement Date upon delivery to the Purchaser of the Purchased 2022B Bonds then to be purchased by the Purchaser through the book-entry system of The Depository Trust Company.

Upon issuance by the Authority of the 2022B Bonds and purchase thereof by the Underwriter, the obligation of the Purchaser to take delivery of the Purchased 2022B Bonds hereunder *shall be unconditional* unless:

- The Authority fails to deliver the 2022B Bonds as set forth in the Bond Purchase Agreement or fails or is unable to comply with all of the conditions to settlement set forth in the Bond Purchase Agreement on the Settlement Date, or
- the Underwriter terminates its agreement to purchase the 2022B Bonds on the Settlement Date for re-sale to the Purchaser upon the occurrence of an event described in the Official Statement under “FORWARD DELIVERY OF THE 2022B BONDS—Certain Considerations Regarding Forward Delivery of the 2022B Bonds.”

The Purchaser acknowledges that the market value of the 2022B Bonds as of the Settlement Date may be affected by a variety of factors between the date of this Forward Delivery Contract and the Settlement Date, including, without limitation, changes in general market conditions or the financial condition of the Authority or modifications to laws that may diminish the value of, as opposed to eliminating the exclusion from gross income for federal income tax purposes, interest payable on “state or local bonds,” that will not prevent the Authority from satisfying all material conditions precedent for the delivery of the Purchased 2022B Bonds. The Purchaser acknowledges and agrees that it will not be able to withdraw its order as described and, except as described in the fourth paragraph of this Forward Delivery Contract, will not otherwise be excused from performance of its obligations to take up and pay for the Purchased 2022B Bonds on the Settlement Date. To effect a termination by the Purchaser, the Purchaser acknowledges and agrees that it must give written notice of termination of this Forward Delivery Contract to the Underwriter before Settlement (i.e., delivery of the 2022B Bonds to, and payment for the 2022B Bonds by, the Underwriter) on the Settlement Date. The Purchaser understands and agrees that no termination of the obligation of the Purchaser may occur after Settlement. The Purchaser also acknowledges and agrees that it will remain obligated to purchase the Purchased 2022B Bonds in accordance with the terms hereof even if the Purchaser decides to sell such Purchased 2022B Bonds following the date hereof.

The Purchaser represents and warrants that, as of the date of this Forward Delivery Contract, the Purchaser is not prohibited from purchasing the Purchased 2022B Bonds hereby agreed to be purchased by it under the laws of the jurisdiction to which the undersigned is subject.

This Forward Delivery Contract will inure to the benefit of and be binding upon the parties hereto and their respective successors, but will not be assignable by either party hereto without the prior written consent of the other.

This Forward Delivery Contract may be executed by either of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall constitute one and the same instrument.

It is understood that the acceptance by the Underwriter of any Forward Delivery Contract (including this one) is in the Underwriter’s sole discretion and that, without limiting the foregoing, acceptances of such contracts need not be on a first-come, first-served basis. If this Forward Delivery Contract is acceptable to the Underwriter, it is requested that the Underwriter sign the form of acceptance below and mail or deliver one of the counterparts hereof to the Purchaser at its address set forth below. This will become a binding contract between the Underwriter and the Purchaser when such counterpart is mailed or delivered to the Purchaser. This Forward Delivery Contract does not constitute a customer confirmation pursuant to Rule G-15 of the Municipal Securities Rulemaking Board.

This Forward Delivery Contract shall be construed and administered under the laws of the State of New York.

[NAME OF INVESTOR]

By: _____
Name: _____
Title: _____

Accepted: _____, 20__

STIFEL, NICOLAUS & COMPANY, INCORPORATED

By: _____
Name: _____
Title: _____

APPENDIX H
SPECIMEN MUNICIPAL BOND INSURANCE POLICY