

PRELIMINARY OFFICIAL STATEMENT DATED [_____] , 2021

**NEW ISSUE
BOOK-ENTRY-ONLY
BANK QUALIFIED**

**INSURED WATER SYSTEM CERTIFICATES RATING: S&P Global Ratings: “[_]”
INSURED WASTEWATER SYSTEM CERTIFICATES RATING: S&P Global Ratings: “[_]”
UNDERLYING WATER SYSTEM CERTIFICATES RATING: S&P Global Ratings “[_]”
UNDERLYING WASTEWATER SYSTEM CERTIFICATES RATING: S&P Global Ratings “[_]”
INSURANCE: [INSURER]
(See “RATINGS” herein.)**

In the opinion of Kutak Rock LLP, Irvine, California, Special Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, the portion of each Installment Payment designated as and representing interest and received by the Owners of the Certificates (the “Interest Portion”) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Special Counsel is also of the opinion that the Interest Portion is exempt from State of California personal income taxes. For a more detailed description of such opinions of Special Counsel, see “TAX EXEMPTION” herein.

\$[_____] *
**McKinleyville Community Services District
Revenue Certificates of Participation
Series 2021A
(Water Project)**

\$[_____] *
**McKinleyville Community Services District
Revenue Certificates of Participation
Series 2021B
(Wastewater Project)**

Dated: Date of Delivery

Due: As shown on the inside cover

The McKinleyville Community Services District Revenue Certificates of Participation, Series 2021A (Water Project) (the “Water System Certificates”) are being executed and delivered, among other things, to finance the acquisition, construction and improvement of a 4.5 million gallon water tank and water/sewer mainline replacements (the “Water System Project”) and the McKinleyville Community Services District Revenue Certificates of Participation, Series 2021B (Wastewater Project) (the “Wastewater System Certificates”) and together with the Water System Certificates, the “Certificates”) are being executed and delivered, among other things, to finance the acquisition, construction and improvement of highway sewer undercrossings and water/sewer mainline replacements (the “Wastewater Project” and, together with the Water System Project, the “Projects”) for the benefit of and use by the McKinleyville Community Services District (the “District”). The Certificates are being executed and delivered as fully registered certificates in book-entry form only, initially registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”). Individual purchases of the Certificates will be in the denomination of \$5,000 each or any integral multiple thereof. Interest due with respect to the Water System Certificates is payable semiannually on February 1 and August 1, commencing February 1, 2022. Interest due with respect to the Wastewater System Certificates is payable semiannually on March 15 and September 15, commencing March 15, 2022. Interest and principal with respect to the Certificates shall be payable by The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as trustee (the “Trustee”) to DTC. See “APPENDIX E—Book-Entry-Only System.”

The Water System Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2021 (the “Water System Trust Agreement”), by and among the Trustee, CSDA Finance Corporation (the “Corporation”) and the District. The Water System Certificates evidence proportionate interests of the owners thereof in Water System Installment Payments (as defined herein) to be made by the District under an Installment Purchase Contract, dated as of December 1, 2021 (the “Water System Installment Purchase Contract”) by and between the District and the Corporation, in the proportions indicated herein under the heading “SCHEDULE OF WATER SYSTEM INSTALLMENT PAYMENTS.” The Water System Installment Payments will be secured by a pledge of and charge and first priority lien upon, all of the Water System Net Revenues.

The Wastewater System Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2021 (the “Wastewater System Trust Agreement”), by and among the Trustee, the Corporation and the District. The Wastewater System Certificates evidence proportionate interests of the owners thereof in Wastewater System Installment Payments (as defined herein) to be made by the District under an Installment Purchase Contract, dated as of December 1, 2021 (the “Wastewater System Installment Purchase Contract”) by and between the District and the Corporation, in the proportions indicated herein under the heading “SCHEDULE OF WASTEWATER SYSTEM INSTALLMENT PAYMENTS.” The Wastewater System Installment Payments will be secured by a pledge of and charge and first priority lien upon, all of the Wastewater System Net Revenues. The Water System Installment Payments and the Wastewater System Installment Payments are collectively referred to herein as the “Installment Payments.”

The Wastewater System Net Revenues are not pledged to secure the Water System Installment Payments and the Water System Net Revenues are not pledged to secure the Wastewater System Installment Payments.

THE CERTIFICATES ARE SUBJECT TO PREPAYMENT PRIOR TO MATURITY AS DESCRIBED HEREIN.

The obligation of the District to make the Installment Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the District to make Installment Payments constitute a debt of the District, the Corporation, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. **NEITHER THE CORPORATION NOR ANY OF ITS MEMBERS ARE LIABLE TO MAKE THE INSTALLMENT PAYMENTS RELATING TO THE CERTIFICATES.**

The scheduled payment of principal of and interest represented by the Water System Certificates and the Wastewater Certificates when due will be guaranteed under separate and distinct municipal bond insurance policies [and separate and distinct reserve fund surety policies] to be issued concurrently with the execution and delivery of the respective Certificates by [INSURER] (“[INSURER]” or the “Certificate Insurer”). See “CERTIFICATE INSURANCE.”

* Preliminary; subject to change.

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

[INSURER LOGO]

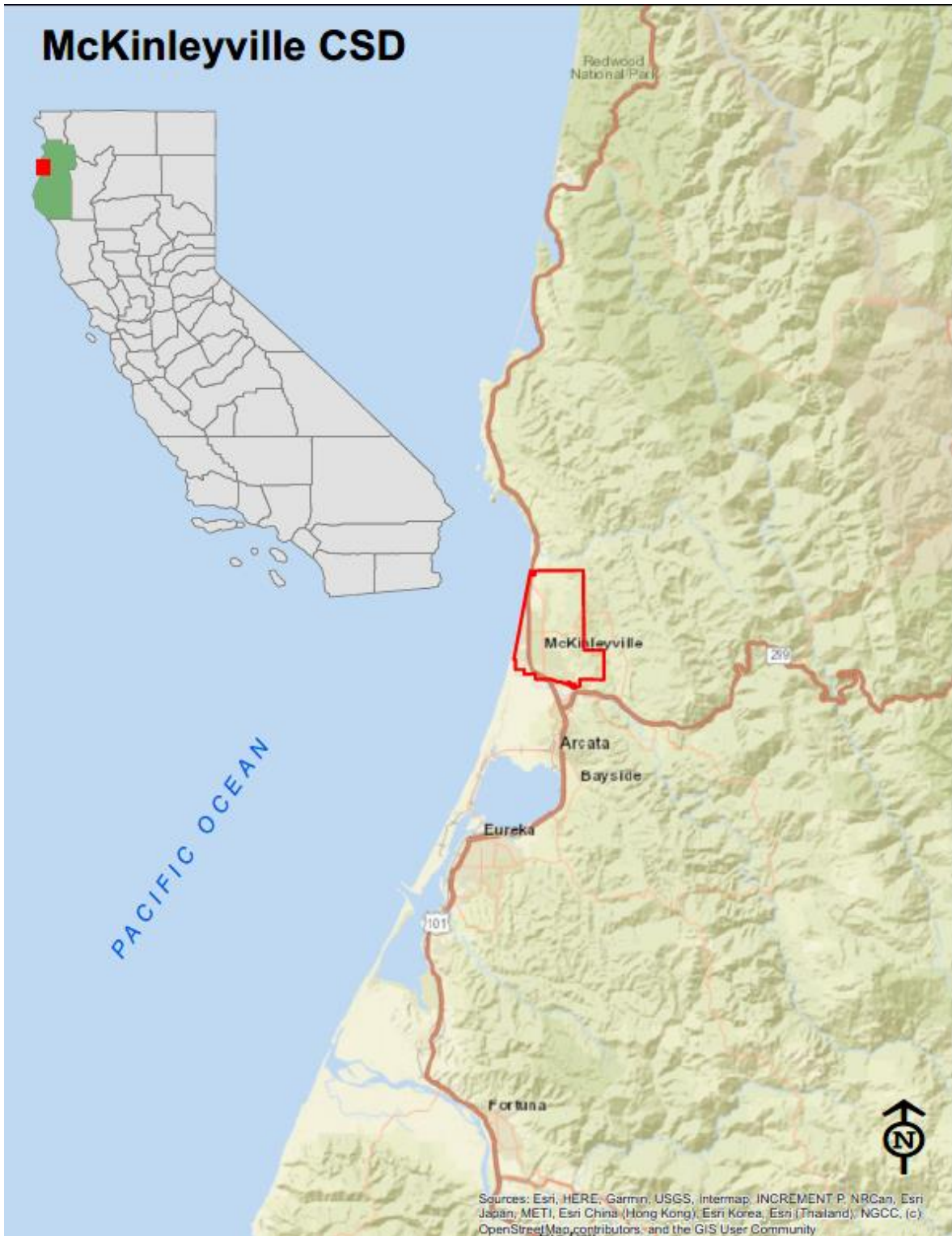
This cover page contains certain information for quick reference only and is not a summary of these transactions. Investors must read the entire Official Statement, including the section entitled "CERTAIN RISK FACTORS FOR THE CERTIFICATES," to obtain information essential to the making of an informed investment decision.

The Certificates are offered when, as and if delivered and received by the Underwriter, subject to the approval as to their legality by Kutak Rock LLP, Irvine, California, Special Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by The Mitchell Law Firm, LLP, Eureka, California, District Counsel. Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Underwriter's Counsel. It is anticipated that the Certificates will be available for delivery through DTC in New York, New York, on or about December ____, 2021.

OPPENHEIMER & CO. INC.

Dated: December [__], 2021

MAP OF THE MCKINLEYVILLE COMMUNITY SERVICES DISTRICT



**MATURITY DATES, AMOUNTS, INTEREST
RATES, PRICES, YIELDS AND CUSIP**

WATER SYSTEM CERTIFICATES

Maturity Date (August 1)*	Principal Amount*	Interest Rate	Yield	Price	CUSIP† Number
	\$	%	%		

\$[_____] * [____]% Term Certificates due August 1, 20[____]* Yield [____]% Price: [____] CUSIP†[____]

WASTEWATER SYSTEM CERTIFICATES

Maturity Date (September 15)*	Principal Amount*	Interest Rate	Yield	Price	CUSIP Number
	\$	%	%		

\$[_____] * [____]% Term Certificates due September 15, 20[____]* Yield [____]% Price: [____] CUSIP†[____]

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data herein are provided by CUSIP Global Services (“CGS”), which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence LLC. Copyright© 2021 CUSIP Global Services. All rights reserved. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. CUSIP® numbers are subject to being changed after the issuance of the Certificates as a result of various subsequent actions including, but not limited to, a prepayment in whole or in part of the Certificates. None of the District, the Corporation, the Underwriter or their agents or counsel assume responsibility for the accuracy of any CUSIP® numbers.

*Preliminary; subject to change.

No dealer, broker, salesperson or other person has been authorized by the Corporation or the District to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation may not be relied upon as having been authorized by the Corporation or the District. This Official Statement does not constitute an offer to sell or a solicitation or an offer to buy nor shall there be any sale of the Certificates by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

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

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

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

All information for investors regarding the District and the Certificates is contained in this Official Statement. While the District maintains an internet website for various purposes, none of the information on this website is intended to assist investors in making any investment decision or to provide any continuing information with respect to the Certificates or any other Certificates or obligations of the District.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement. The District is obligated to provide continuing disclosure for certain historical information only. See the caption “CONTINUING DISCLOSURE OBLIGATION” herein.

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

DESCRIBED HEREIN TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED IN THIS OFFICIAL STATEMENT AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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

Certificate Insurer Disclaimer. [INSURER] (“[INSURER]”) makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, [INSURER] 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 [INSURER], supplied by [INSURER] and presented under the heading “CERTIFICATE INSURANCE” and “APPENDIX G—SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

The District maintains a website. However, information presented on such website is not a part of this Official Statement, is not incorporated herein by reference and should not be relied upon in making an investment decision with respect to the Certificates.

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OFFICIAL STATEMENT

\$[_____]*
McKinleyville Community Services District
Revenue Certificates of Participation
Series 2021A
(Water Project)

\$[_____]*
McKinleyville Community Services District
Revenue Certificates of Participation
Series 2021B
(Wastewater Project)

INTRODUCTION

General

This Official Statement, which includes the cover page, table of contents and Appendices hereto (this “Official Statement”), provides certain information concerning the execution and delivery of the McKinleyville Community Services District Revenue Certificates of Participation, Series 2021A (Water Project) (the “Water System Certificates”) to be executed and delivered in the aggregate principal amount of \$[_____]* evidencing proportionate interests of the registered owners thereof in certain installment payments to be made by the McKinleyville Community Services District (the “District”) to CSDA Finance Corporation (the “Corporation”) and the execution and delivery of the McKinleyville Community Services District Revenue Certificates of Participation, Series 2021B (Wastewater Project) (the “Wastewater System Certificates” and, together with the Water System Certificates, the “Certificates”) to be executed and delivered in the aggregate principal amount of \$[_____]* evidencing proportionate interests of the registered owners thereof in certain other installment payments to be made by the District to the Corporation.

The Water System Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2021 (the “Water System Trust Agreement”), by and among The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as trustee (the “Trustee”), the Corporation and the District. The Water System Certificates evidence proportionate interests of the owners thereof in Water System Installment Payments to be made by the District under an Installment Purchase Contract, dated as of December 1, 2021 (the “Water System Installment Purchase Contract”) between the District and the Corporation. The Water System Installment Payments will be secured by a pledge of and charge and first priority lien upon, all of the Water System Net Revenues.

The Wastewater System Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2021 (the “Wastewater System Trust Agreement”), by and among the Trustee, the Corporation and the District. The Wastewater System Certificates evidence proportionate interests of the owners thereof in Wastewater System Installment Payments to be made by the District under an Installment Purchase Contract, dated as of December 1, 2021 (the “Wastewater System Installment Purchase Contract”) between the District and the Corporation. The Wastewater System Installment Payments will be secured by a pledge of and charge and first priority lien upon, all of the Wastewater System Net Revenues.

The Water System Trust Agreement and the Wastewater System Trust Agreement are collectively referred to herein as the “Trust Agreements,” the Water System Installment Purchase Contract and the Wastewater System Installment Purchase Contract are collectively referred to herein as the “Installment Purchase Contracts” and the Water System Installment Payments and the Wastewater System Installment Payments are collectively referred to herein as the “Installment Payments.”

* Preliminary; subject to change.

The District will make the Water System Installment Payments to the Corporation in order to purchase the Water System Project (as defined below) from the Corporation. The Corporation will sell the Water System Project to the District pursuant to the Water System Installment Purchase Contract. Pursuant to the Assignment Agreement dated as of December 1, 2021 (the “Water System Assignment Agreement”), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee for the benefit of the respective Certificate Owners, its rights and remedies under the Water System Installment Purchase Contract, including its rights to receive Water System Installment Payments.

The District will make the Wastewater System Installment Payments to the Corporation in order to purchase the Wastewater System Project (as defined below) from the Corporation. The Corporation will sell the Wastewater System Project to the District pursuant to the Wastewater System Installment Purchase Contract. Pursuant to the Assignment Agreement dated as of December 1, 2021 (the “Wastewater System Assignment Agreement”), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee for the benefit of the respective Certificate Owners, its rights and remedies under the Wastewater System Installment Purchase Contract, including its rights to receive Wastewater System Installment Payments. The Water System Assignment Agreement and the Wastewater System Assignment Agreement are hereinafter collectively referred to as the “Assignment Agreements”.

The Water System Certificates are being executed and delivered, among other things, to finance the acquisition, construction and improvement of a 4.5 million gallon water tank and a water/sewer mainline replacements (the “Water System Project”) and the Wastewater System Certificates are being executed and delivered, among other things, to finance the acquisition, construction and improvement of highway sewer undercrossings and a water/sewer mainline replacements (the “Wastewater Project” and, together with the Water System Project, the “Projects”) for the benefit of and use by the District. See “THE WATER SYSTEM PROJECT” and “THE WASTEWATER SYSTEM PROJECT” herein.

The District

The District is a community services district organized and existing pursuant to the laws of the State of California located in Humboldt County which operates a retail water distribution system (the “Water System”) and wastewater system (the “Wastewater System” and, together with the Water System, the “System” or the “Enterprise”). The District’s Water System provides treated drinking water to approximately 7,488 customers. The District’s Wastewater System provides service to approximately 6,601 customers. The District is governed by a five-member Board of Directors, elected for four-year terms. The District and the System are described in greater detail under the captions “THE DISTRICT,” “THE WATER SYSTEM” and “THE WASTEWATER SYSTEM” below.

Security and Sources of Payment for the Certificates

Water System Certificates. The Water System Certificates evidence a proportionate interest in the right to receive Water System Installment Payments to be made by the District under the Water System Installment Purchase Contract. The obligation of the District to pay Water System Installment Payments and interest thereon is a special obligation payable solely from and secured by a pledge of and first lien (subject to the parity lien of any obligations currently outstanding and hereafter issued and incurred on a parity as to payment and security with the Water System Installment Payments, the “Water System Parity Obligations”) on Water System Net Revenues and all moneys in the Revenue Fund, the Acquisition Fund, and the Installment Payment Fund established pursuant to the Water System Installment Purchase Contract and the Water System Trust Agreement and in other funds and accounts established pursuant to the Water System Trust Agreement. See “SECURITY FOR THE CERTIFICATES-Parity Obligations-*Water System*.”

Wastewater System Certificates. The Wastewater System Certificates evidence a proportionate interest in the right to receive Wastewater System Installment Payments to be made by the District under the Wastewater System Installment Purchase Contract. The obligation of the District to pay Wastewater System Installment Payments and interest thereon is a special obligation payable solely from and secured by a pledge of and first lien (subject to the parity lien of any obligations currently outstanding and hereafter issued and incurred on a parity as to payment and security with the Wastewater System Installment Payments, the “Wastewater System Parity Obligations”) on Wastewater System Net Revenues and all moneys in the Revenue Fund, the Acquisition Fund, and the Installment Payment Fund established pursuant to the Wastewater System Installment Purchase Contract and the Wastewater System Trust Agreement and in other funds and accounts established pursuant to the Wastewater System Trust Agreement. See “SECURITY FOR THE CERTIFICATES-Parity Obligations-*Wastewater System*.”

The obligation of the District to make the Water System Installment Payments and to pay the interest thereon is absolute and unconditional, whether or not the Water System Project shall be acquired and constructed. Until such time as all Water System Installment Payments and the interest thereon have been fully paid by the District and the Water System Certificates are no longer Outstanding (or provision for the payment thereof shall have been made pursuant to the Water System Trust), the District will not, under any circumstances, discontinue, abate or suspend any Water System Installment Payments or any interest thereon required to be made under the Water System Installment Purchase Contract, when due, whether or not the Water System, any part thereof or the Water System Project, is operating or operable or has been completed, or whether or not the Water System or the Water System Project 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 therein for any cause whatsoever.

The obligation of the District to make the Wastewater System Installment Payments and to pay the interest thereon is absolute and unconditional, whether or not the Wastewater System Project shall be acquired and constructed. Until such time as all Wastewater System Installment Payments and the interest thereon have been fully paid by the District and the Wastewater System Certificates are no longer Outstanding (or provision for the payment thereof shall have been made pursuant to the Wastewater System Trust), the District will not, under any circumstances, discontinue, abate or suspend any Wastewater System Installment Payments or any interest thereon required to be made under the Wastewater System Installment Purchase Contract, when due, whether or not the Wastewater System, any part thereof or the Wastewater System Project, is operating or operable or has been completed, or whether or not the Wastewater System or the Wastewater System Project 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 therein for any cause whatsoever.

Parity Obligations

The District currently has outstanding obligations secured by a pledge of Water System Net Revenues and the District currently has outstanding obligations secured by a pledge of Wastewater System Net Revenues. Additional Parity Obligations are permitted under the Trust Agreements and Installment Purchase Contracts as described below. See “SECURITY FOR THE CERTIFICATES—Parity Obligations” and “SECURITY FOR THE CERTIFICATES—Additional Indebtedness” below.

Rate Covenant

Water System Installment Payments. To the fullest extent permitted by law, the District will fix and prescribe rates and charges in connection with the Water System as a whole which are reasonably expected to be at least sufficient to yield during each Fiscal Year Water System Net Revenues equal to 120% of debt service on the aggregate amount of the Water System Installment Payments and Water System Parity Obligations for such Fiscal Year. The District 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 Water System Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this paragraph. For purposes of this calculation, amounts held by the District in the Water System Rate Stabilization Fund as of the beginning of any Fiscal Year may, at the election of the District, be treated as Water System Net Revenues which are received during such Fiscal Year, in an amount not exceeding 25% of the amount of principal of and interest on all outstanding Water System Installment Payments, and principal of and interest on any Water System Parity Obligations issued or incurred after the date hereof payable from Water System Net Revenues coming due and payable during such Fiscal Year.

So long as the District has complied with its obligations set forth in the paragraph above, the failure of Water System Net Revenues to meet the threshold set forth in the paragraph above at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the District has complied with the paragraph above at the commencement of the succeeding Fiscal Year. See “SECURITY FOR THE CERTIFICATES—Rate Covenant.”

Wastewater System Installment Payments. To the fullest extent permitted by law, the District will fix and prescribe rates and charges in connection with the Wastewater System as a whole which are reasonably expected to be at least sufficient to yield during each Fiscal Year Wastewater System Net Revenues equal to 120% of debt service on the aggregate amount of the Wastewater System Installment Payments and Wastewater System Parity Obligations for such Fiscal Year. The District 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 Wastewater System Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this paragraph. For purposes of this calculation, amounts held by the District in the Wastewater System Rate Stabilization Fund as of the beginning of any Fiscal Year may, at the election of the District, be treated as Wastewater System Net Revenues which are received during such Fiscal Year, in an amount not exceeding 25% of the amount of principal of and interest on all outstanding Wastewater System Installment Payments, and principal of and interest on any Wastewater System Parity Obligations issued or incurred after the date hereof payable from Wastewater System Net Revenues coming due and payable during such Fiscal Year.

So long as the District has complied with its obligations set forth in the paragraph above, the failure of Wastewater System Net Revenues to meet the threshold set forth in the paragraph above at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the District has complied with the paragraph above at the commencement of the succeeding Fiscal Year. See “SECURITY FOR THE CERTIFICATES—Rate Covenants.”

Reserve Fund [SURETY POLICIES BEING CONSIDERED]

Water System Certificates. A reserve fund (the “Water System Reserve Fund”) will be established and held under the Water System Trust Agreement in order to secure the payment of principal and interest with respect to the Water System Certificates in an amount, as of the Closing Date, equal to the Reserve Requirement for the Water System Certificates. The initial deposit to the Water System Reserve Fund will

be made from a portion of the proceeds of the Water System Certificates. See “ESTIMATED SOURCES AND USES OF PROCEEDS.” If five days prior to any February 1 or August 1 the amounts on deposit in the Installment Payment Fund are insufficient to make the payments required under the Water System Trust Agreement with respect to the Water System Certificates, amounts in the Water System Reserve Fund will be applied to make up such deficiencies.

Wastewater System Certificates. A reserve fund (the “Wastewater System Reserve Fund”) will be established and held under the Wastewater System Trust Agreement in order to secure the payment of principal and interest with respect to the Wastewater System Certificates in an amount, as of the Closing Date, equal to the Reserve Requirement for the Wastewater System Certificates. The initial deposit to the Wastewater System Reserve Fund will be made from a portion of the proceeds of the Wastewater System Certificates. See “ESTIMATED SOURCES AND USES OF PROCEEDS.” If five days prior to any March 15 or September 15 the amounts on deposit in the Installment Payment Fund are insufficient to make the payments required under the Wastewater System Trust Agreement with respect to the Wastewater System Certificates, amounts in the Wastewater System Reserve Fund will be applied to make up such deficiencies.

See “SECURITY FOR THE CERTIFICATES—Reserve Fund” and “APPENDIX A—DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Trust Agreement—The Reserve Fund.”

Certificate Insurance

[INSURER] (“[INSURER]” or the “Certificate Insurer”) has committed to issue, effective as of the date of issuance of the Water System Certificates, a policy of insurance (the “Water System Insurance Policy” or “Water System Policy”) guaranteeing the payment, when due, of the principal of and interest on the Water System Certificates.

The Certificate Insurer has committed to issue, effective as of the date of issuance of the Wastewater System Certificates, a policy of insurance (the “Wastewater System Insurance Policy” or “Wastewater System Policy”) guaranteeing the payment, when due, of the principal of and interest on the Wastewater System Certificates. See “CERTIFICATE INSURANCE.” A specimen of the Water System Insurance Policy and the Wastewater System Insurance Policy is attached as APPENDIX G to this Official Statement. See “CERTIFICATE INSURANCE.” Also see APPENDIX A-“DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS-TRUST AGREEMENT-Certificate Insurance Provisions.”

Installment Payments Not Debt

THE OBLIGATION OF THE DISTRICT TO MAKE THE INSTALLMENT PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE DISTRICT FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE THE INSTALLMENT PAYMENTS CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OF THE DISTRICT, THE CORPORATION, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF THE CONSTITUTION OR STATUTES OF THE STATE OF CALIFORNIA OR OTHERWISE.

Continuing Disclosure

Pursuant to the Continuing Disclosure Certificate, to be dated the date of delivery of the Certificates (the “Continuing Disclosure Certificate”), executed by the District, the District has covenanted for the benefit of the owners and beneficial owners of the Certificates to provide annually certain financial information and operating data concerning the District and the System to the Municipal Securities Rulemaking Board, acting through its Electronic Municipal Market Access (“EMMA”) system and to provide notice to the Municipal Securities Rulemaking Board through EMMA of certain enumerated events, pursuant to the requirements of Section (b)(5)(i) of Rule 15c2-12 of the Securities and Exchange Commission, as amended. See “CONTINUING DISCLOSURE OBLIGATION” and “APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE” for the form of the Continuing Disclosure Certificate.

Other Information and Definitions

The descriptions of the Certificates, the Installment Purchase Contracts, the Assignment Agreements, the Trust Agreements and other documents described in this Official Statement do not purport to be definitive or comprehensive, and all references to those documents are qualified in their entirety by reference to the approved form of those documents, which documents are available at the principal corporate trust office of the Trustee in Los Angeles, California. During the period of the offering of the Certificates, copies of such documents will also be available from the Underwriter. See “APPENDIX A—DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” for the definitions of some of the terms used in the Installment Purchase Contracts, the Trust Agreements and this Official Statement, and not otherwise defined.

All of the summaries of statutes, resolutions, opinions, agreements, financial and statistical data, and other related reports described in this Official Statement are made subject to the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either publicly available or available for inspection by written request mailed to the District, 1656 Sutter Road, McKinleyville, California 95519.

THE WATER SYSTEM PROJECT

The Water System Project consists of a 4.5 million gallon water tank and water/sewer mainline replacements. The construction of the water tank will add an additional 4.5 million gallons of water storage to allow the District to provide potable water and wastewater service to the communities of McKinleyville and the City of Arcata if the connection to the Humboldt Bay Municipal Water District is lost during a seismic event. The water/sewer mainline replacements consist of the replacement of approximately 2,200 lineal feet of 16-inch diameter Asbestos Cement (“AC”) water main and 8-inch diameter AC sewer main along Central Avenue in McKinleyville.

The expected cost of the Water System Project is approximately \$12 million. \$4.25 of the costs of the Water System Project will be funded with proceeds from the sale of Water System Certificates, \$7.75 million will be funded via a hazard mitigation grant from the Federal Emergency Management Agency (“FEMA”) and the remainder will be funded by water sales revenue and reserves. The estimated completion date of the Water System Project is December 31, 2023.

THE WASTEWATER SYSTEM PROJECT

The Wastewater System Project consists of the construction of highway sewer undercrossings and the water/sewer mainline replacements described above. The highway sewer undercrossings consist of the

replacement of the three highway crossings where the wastewater from the eastern side of McKinleyville crosses under Highway 101 to the Wastewater Management Facility (defined hereinafter) on the western side of Highway 101. The Water System Project is part of the systemic upgrading of the District's wastewater infrastructure.

The expected cost of the Wastewater System Project is approximately \$8.5 million. \$3.4 of the costs of the Wastewater System Project will be funded with proceeds from the sale of Wastewater System Certificates, \$5.1 million will be funded via a hazard mitigation grant from FEMA and the remainder will be funded by user rates and reserves. The estimated completion date of the Wastewater System Project is December 31, 2023.

PLAN OF FINANCE

The Water System Certificates are being executed and delivered to (a) finance the Water System Project; and (b) to pay the costs of delivery of the Water System Certificates.

The Wastewater System Certificates are being executed and delivered to (a) finance the Wastewater System Project; and (b) to pay the costs of delivery of the Wastewater System Certificates.

ESTIMATED SOURCES AND USES OF PROCEEDS¹

	Water System Certificates	Wastewater System Certificates
SOURCES:		
Principal	\$ _____	\$ _____
[Net] Original Issue [Premium/Discount]	_____	
Total Sources		
USES:		
Deposit to applicable Acquisition Fund		
[Deposit to applicable Reserve Fund][Remove if Surety Policy]		
Deposit to the applicable Delivery Costs Fund ²		
Total Uses		

¹ Numbers rounded to nearest dollar.

² Includes underwriter's discount, municipal advisor fees, legal, certificate insurance premium, [surety policy] and other delivery costs. The certificate insurer premium in the amount of \$[_____] shall be transferred to [INSURER] on behalf of the District for the premium on the Municipal Bond Insurance Policy.

THE CERTIFICATES

General Provisions

The Water System Certificates will be executed and delivered in the aggregate principal amount of \$[_____]*. The Water System Certificates will be executed and delivered in the form of fully registered Water System Certificates in denominations of \$5,000 or any integral multiple thereof. The Water System Certificates will be dated the date of delivery, will represent interest from the delivery date at the rates per annum set forth on the cover page hereof, payable semiannually on February 1 and August

* Preliminary; subject to change.

1 of each year, commencing February 1, 2022, and will mature on August 1 in each of the designated years in the principal amounts shown on the cover page hereof.

The Wastewater System Certificates will be executed and delivered in the aggregate principal amount of \$[_____]*. The Wastewater System Certificates will be executed and delivered in the form of fully registered Wastewater System Certificates in denominations of \$5,000 or any integral multiple thereof. The Wastewater System Certificates will be dated the date of delivery, will represent interest from the delivery date at the rates per annum set forth on the cover page hereof, payable semiannually on March 15 and September 15 of each year, commencing March 15, 2022, and will mature on September 15 in each of the designated years in the principal amounts shown on the cover page hereof.

Each Certificate shall evidence and represent interest from the date of delivery. Both the principal of and interest represented by the Certificates shall be payable in lawful money of the United States of America. Interest with respect to the Certificates shall be calculated on the basis of a 360-day year composed of twelve 30-day months.

The Certificates will be executed and delivered in fully registered form in the name of Cede & Co. (“Cede & Co.”), as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Certificates. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Certificates purchased. So long as Cede & Co., as nominee of DTC, is the registered owner of the Certificates, references herein to the Certificate Owners, Owners or registered owners shall mean Cede & Co. and shall not mean the Beneficial Owners (as defined herein) of the Certificates.

So long as Cede & Co. is the registered owner of the Certificates, principal of and interest with respect to the Certificates are payable by wire transfer by the Trustee to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See “APPENDIX E—BOOK-ENTRY-ONLY SYSTEM.”

Prepayment of Certificates*

Optional Prepayment.

Water System Certificates. The Water System Certificates maturing on or after August 1, 20__*, are subject to prepayment prior to maturity in whole or in part in any integral multiple of \$5,000, at the option of the District on any date on or after August 1, 20__*, from any available source of funds, at the prepayment price equal to the principal amount of the Water System Certificates to be prepaid from the proceeds of such prepayment, in each case together with accrued interest thereon to the prepayment date, without premium.

Wastewater System Certificates. The Wastewater System Certificates maturing on or after September 15, 20__*, are subject to prepayment prior to maturity in whole or in part in any integral multiple of \$5,000, at the option of the District on any date on or after September 15, 20__*, from any available source of funds, at the prepayment price equal to the principal amount of the Wastewater System Certificates to be prepaid from the proceeds of such prepayment, in each case together with accrued interest thereon to the prepayment date, without premium

* Preliminary; subject to change.

Extraordinary Prepayment.

Water System Certificates. The Water System Certificates are subject to extraordinary prepayment on any February 1 or August 1 upon notice as provided in the Water System Trust Agreement, as a whole or in part (on a pro-rata basis) in integral multiples of \$5,000, from prepaid Water System Installment Payments made by the District pursuant to the Water System Installment Purchase Contract from the Net Proceeds received by the District due to a casualty loss or governmental taking of the Water System or portions thereof by eminent domain proceedings, under the circumstances and upon the conditions and terms prescribed in the Water System Trust Agreement and in the Water System Installment Purchase Contract, at a prepayment price equal to the sum of the principal amount evidenced thereby plus accrued interest accrued to the date fixed for prepayment of the Water System Certificates, without premium.

Wastewater System Certificates. The Wastewater System Certificates are subject to extraordinary prepayment on any March 15 or September 15 upon notice as provided in the Wastewater System Trust Agreement, as a whole or in part (on a pro-rata basis) in integral multiples of \$5,000, from prepaid Wastewater System Installment Payments made by the District pursuant to the Wastewater System Installment Purchase Contract from the Net Proceeds received by the District due to a casualty loss or governmental taking of the Wastewater System or portions thereof by eminent domain proceedings, under the circumstances and upon the conditions and terms prescribed in the Wastewater System Trust Agreement and in the Wastewater System Installment Purchase Contract, at a prepayment price equal to the sum of the principal amount evidenced thereby plus accrued interest accrued to the date fixed for prepayment of the Wastewater System Certificates, without premium.

Mandatory Sinking Fund Prepayment.*

The Water System Certificates maturing on August 1, 20__* (the “Water System Term Certificates”) are also subject to mandatory sinking fund prepayment in part by lot, on August 1 in each year commencing August 1, 20__* from Water System Installment Payments made by the District pursuant to the Water System Installment Purchase Contract, at a prepayment price equal to the principal amount evidenced thereby to be prepaid, without premium, in the aggregate respective principal amounts and on August 1 in the respective years as set forth in the following table:

Sinking Fund Prepayment Date (August 1)	Principal Amount To Be Prepaid
20[__]*	\$

* Final Maturity.

The Wastewater System Certificates maturing on September 15, 20__* (the “Wastewater System Term Certificates”) are also subject to mandatory sinking fund prepayment in part by lot, on September 15 in each year commencing September 15, 20__* from Wastewater System Installment Payments made by the District pursuant to the Wastewater System Installment Purchase Contract, at a prepayment price equal to the principal amount evidenced thereby to be prepaid, without premium, in the aggregate respective principal amounts and on August 1 in the respective years as set forth in the following table:

**Sinking Fund
Prepayment Date
(September 15)**

**Principal Amount
To Be Prepaid**

\$

20[]*

* Final Maturity.

Selection of Certificates for Prepayment. Except as provided under the caption “—Mandatory Sinking Fund Prepayment” above, in the event that part, but not all, of a series of the Certificates are to be prepaid, the Certificates of such series to be prepaid shall be selected by the Trustee from maturities designated by the District in writing, and by lot within a maturity.

Partial Prepayment of Certificates. Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof a new Certificate or Certificates equal to the unprepaid principal amount of the Certificate surrendered.

Notice of Prepayment. When prepayment is authorized or required pursuant to the Trust Agreement, the Trustee will give notice (“Prepayment Notice”) of the prepayment of the Certificates being prepaid. Such Prepayment Notice will specify: (a) the Certificates or designated portions thereof (in the case of prepayment of the Certificates in part but not in whole) which are to be prepaid; (b) the date of prepayment; (c) the place or places where the prepayment will be made, including the name and address of any paying agent; (d) the prepayment price; (e) the CUSIP numbers, if any, assigned to the Certificates to be prepaid; (f) the certificate numbers of the Certificates to be prepaid in whole or in part and, in the case of any Certificate to be prepaid in part only, the amount of such Certificate to be prepaid; and (g) the original issue date, interest rate and stated maturity date of each Certificate to be prepaid in whole or in part. Such Prepayment Notice shall further state that on the specified date there shall become due and payable upon each Certificate or portion thereof being prepaid, the prepayment price, together with interest accrued to the prepayment date, and that from and after such date interest with respect thereto shall cease to accrue and be payable. Such notice in respect of optional or extraordinary prepayment shall not be provided unless there has been deposited with the Trustee funds sufficient to pay such prepayment price (except in the case of prepayment resulting from the issuance of refunding obligations). A Prepayment Notice may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Certificates.

Such notice shall be given by the Trustee at least 30 but not more than 45 days prior to the prepayment date, by telecopy or other electronic transmission, registered, certified or overnight mail, to DTC or other applicable Depository which shall state the information set forth above, but no defect in said notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for prepayment.

An optional Prepayment Notice may be conditional and state that the District has the right to rescind any optional prepayment by written notice to the Trustee on or prior to the date fixed for prepayment. Any such notice of optional prepayment shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Certificates then called for prepayment, and such cancellation shall not constitute an Event of Default under the Trust Agreement. The District, the Corporation and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of prepayment. The Trustee shall mail notice of such rescission of prepayment in the same manner as the original notice of prepayment was sent.

Neither failure to receive any Prepayment Notice nor any defect in such Prepayment Notice so given shall affect the sufficiency of the proceedings for the prepayment of any such other Certificates as to which proper notice was given as provided in the Trust Agreement. Each check or other payment method used by the Trustee for the purpose of prepaying Certificates shall bear the CUSIP number identifying, by issue and maturity, the Certificates being prepaid with the proceeds of such check or other transfer.

Effect of Prepayment. If a Prepayment Notice has been given, and the moneys for the prepayment, including interest to the applicable prepayment date of the Certificates to be prepaid, have been set aside in the Prepayment Account, the portion of Certificates to be prepaid shall become due and payable on said prepayment date, and, upon presentation and surrender thereof at the office or offices specified in said notice, said Certificates shall be paid at the unpaid principal amount and premium, if any, with respect thereto, plus any unpaid and accrued interest to said prepayment date.

If, on said prepayment date, moneys sufficient for the prepayment of all the Certificates to be prepaid, together with interest to said prepayment date, shall be held by the Trustee so as to be available therefor on such prepayment date, and, if notice of prepayment thereof shall have been given as aforesaid, then, from and after said prepayment date, interest with respect to the portion of Certificates to be prepaid shall cease to accrue and become payable. If said moneys shall not be so available on said prepayment date, interest with respect to such portion of Certificates shall continue to be payable until paid at the same rates as they would have been payable had they not been called for prepayment. All moneys held by or on behalf of the Trustee for the prepayment of particular Certificates shall be held in trust for the account of the Owners of the Certificates so to be prepaid for two years.

SECURITY FOR THE CERTIFICATES

Pledge

Water System Installment Payments.

Pursuant to the Water System Installment Purchase Contract, the District will purchase the Water System Project from the Corporation. As a purchase price for the Water System Project, the District agrees to pay the Water System Installment Payments to the Corporation. The Water System Certificates represent a proportionate interest in the Water System Installment Payments to be made by the District under the Water System Installment Purchase Contract. The Corporation, pursuant to the Water System Assignment Agreement, will assign its rights to receive Water System Installment Payments under the Water System Installment Purchase Contract to the Trustee for the benefit of the Owners of the Water System Certificates.

The obligation of the District to make the Water System Installment Payments under the Water System Installment Purchase Contract and pay the interest thereon is a special obligation payable solely from and secured by a pledge of and first lien (subject to the parity lien of the Water System Parity Obligations) on Water System Net Revenues in addition to all moneys in the Revenue Fund, Acquisition Fund, and the Installment Payment Fund established pursuant to the Water System Installment Purchase Contract and the Water System Trust Agreement and in other funds and accounts established pursuant to the Water System Trust Agreement.

“*Water System Net Revenues*” means as, for any period, all of the Water System Revenues received during such period minus the amount required to pay all Water System Maintenance and Operating Costs of the Water System payable from Water System Revenues during such period.

“*Water System Revenues*” means all gross income and revenue received or receivable by the District from the ownership and operation of the Water System, calculated in accordance with Generally

Accepted Accounting Principles, including all rates, fees, and charges received by the District for water service, the proceeds of any standby water availability charges or connection fees collected by the District and all other income and revenue howsoever derived by the District from the Water System or arising from the Water System; provided, however, that the following are not Revenues and are not subject to the lien of the Water System Installment Purchase Contract: (a) any specific charges levied for the express purpose of reimbursing others for all or a portion of the cost of the acquisition or construction of specific facilities; (b) customers' deposits or any other deposits subject to refund until such deposits have become the property of the District; (c) grants which are designated by the grantor for a specific purpose and are therefore not available; or (d) Net Proceeds of eminent domain proceedings and casualty insurance maintained by the District with respect to the Water System to the extent such proceeds are not promptly applied by the District to the repair or replacement of the Water System; provided, however, that Water System Revenues shall be increased by the amounts, if any, transferred in accordance with the Water System Installment Purchase Contract during such Fiscal Year or other period from the Water System Rate Stabilization Fund to the Revenue Fund and shall be decreased by the amount of Water System Revenues, if any, transferred in accordance with the Water System Installment Purchase Contract during such Fiscal Year or other period from the Revenue Fund to the Water System Rate Stabilization Fund. Water System Revenues shall include amounts on deposit in the Revenue Fund which have been previously released from the pledge and lien of the Water System Installment Purchase Contract. Water System Revenues shall also include interest with respect to any Water System Parity Obligations reimbursed to or on behalf of the District by the United States of America pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009), or any future similar program.

“Water System Maintenance and Operation Costs” of the Water System means the reasonable and necessary costs paid or incurred by the District for maintaining and operating the Water System, determined in accordance with generally accepted accounting principles, including all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the Water System in good repair and working order, and including all administrative costs of the District that are charged directly or apportioned to the operation of the Water System, such as salaries and wages of employees, overhead, taxes (if any), the cost of permits and licenses to operate the Water System and insurance premiums, and including all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms hereof; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles.

“Water System” means all water enterprise system facilities owned by the District, and all other properties, structures or works hereafter acquired and constructed by the District and determined to be a part of the water enterprise system, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired and constructed excluding all sewer and wastewater system facilities owned by the District, and all other properties, structures or works hereafter acquired and constructed by the District and determined to be part of the sewer and wastewater system.

The obligation of the District to make the Water System Installment Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation. Neither the Water System Certificates nor the obligation of the District to make Water System Installment Payments constitutes a debt or a pledge of the faith and credit of the District, the Corporation, the State of California or any of its political subdivisions within the meaning of the Constitution or statutes of the State of California or otherwise.

Wastewater Installment Payments.

Pursuant to the Wastewater System Installment Purchase Contract, the District will purchase the Wastewater System Project from the Corporation. As a purchase price for the Wastewater System Project, the District agrees to pay the Wastewater System Installment Payments to the Corporation. The Wastewater System Certificates represent a proportionate interest in the Wastewater System Installment Payments to be made by the District under the Wastewater System Installment Purchase Contract. The Corporation, pursuant to the Wastewater System Assignment Agreement, will assign its rights to receive Wastewater System Installment Payments under the Wastewater System Installment Purchase Contract to the Trustee for the benefit of the Owners of the Wastewater System Certificates.

The obligation of the District to make the Wastewater System Installment Payments under the Wastewater System Installment Purchase Contract and pay the interest thereon is a special obligation payable solely from and secured by a pledge of and first lien (subject to the parity lien of the Wastewater System Parity Obligations) on Wastewater System Net Revenues in addition to all moneys in the Revenue Fund, Acquisition Fund, and the Installment Payment Fund established pursuant to the Wastewater System Installment Purchase Contract and the Wastewater System Trust Agreement and in other funds and accounts established pursuant to the Wastewater System Trust Agreement.

“*Wastewater System Net Revenues*” means as, for any period, all of the Wastewater System Revenues received during such period minus the amount required to pay all Wastewater System Maintenance and Operating Costs of the Wastewater System payable from Wastewater System Revenues during such period.

“*Wastewater System Revenues*” means, for each Fiscal Year, all gross income and revenue received or receivable by the District from the ownership or operation of the Wastewater System, determined in accordance with generally accepted accounting principles, including all rates, fees, and charges (including connection fees and charges) as received by the District for the services of the Wastewater System, and all other income and revenue howsoever derived by the District from the ownership or operation of the Wastewater System or arising from the Wastewater System, including all income from the deposit or investment of any money in the Revenue Fund, and any refundable deposits made to establish credit, and advances or contributions in aid of construction; provided, however, that Wastewater System Revenues shall be increased by the amounts, if any, transferred in accordance with the Wastewater System Installment Purchase Contract during such Fiscal Year or other period from the Wastewater System Rate Stabilization Fund to the Revenue Fund and shall be decreased by the amount of Wastewater System Revenues, if any, transferred in accordance with the Wastewater System Installment Purchase Contract during such Fiscal Year or other period from the Revenue Fund to the Wastewater System Rate Stabilization Fund. Wastewater System Revenues shall include amounts on deposit in the Revenue Fund which have been previously released from the pledge and lien of the Wastewater System Installment Purchase Contract. Wastewater System Revenues shall also include interest with respect to any Wastewater System Parity Obligations reimbursed to or on behalf of the District by the United States of America pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009), or any future similar program.

“*Wastewater System Maintenance and Operation Costs*” of the Wastewater System means the reasonable and necessary costs and expenses paid by the District to maintain and operate the Wastewater System, including but not limited to (a) costs of treating or disposing of sewage, (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Wastewater System in good repair and working order and (c) the reasonable administrative costs of the District

attributable to the operation and maintenance of the Wastewater System. Maintenance and Operation Costs do not include (i) debt service payable on obligations incurred by the District with respect to the Wastewater System, including but not limited to Wastewater System Debt Service Payments and any Wastewater System Parity Obligations, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

“*Wastewater System*” means the entire wastewater collection, treatment and disposal system owned or operated by the District, including but not limited to all facilities, properties and improvements at any time owned or operated by the District for the collection, treatment and disposal of wastewater within the service area of the District, together with any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the District, including, without limitation, the Wastewater System Project.

The obligation of the District to make the Wastewater System Installment Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation. Neither the Wastewater System Certificates nor the obligation of the District to make Wastewater System Installment Payments constitutes a debt or a pledge of the faith and credit of the District, the Corporation, the State of California or any of its political subdivisions within the meaning of the Constitution or statutes of the State of California or otherwise.

Rate Covenants

Water System Installment Payments. To the fullest extent permitted by law, the District will fix and prescribe rates and charges in connection with the Water System as a whole which are reasonably expected to be at least sufficient to yield during each Fiscal Year Water System Net Revenues equal to 120% of debt service on the aggregate amount of the Water System Installment Payments and Water System Parity Obligations for such Fiscal Year. The District 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 Water System Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this paragraph. For purposes of this calculation, amounts held by the District in the Wastewater System Rate Stabilization Fund as of the beginning of any Fiscal Year may, at the election of the District, be treated as Water System Net Revenues which are received during such Fiscal Year, in an amount not exceeding 25% of the amount of principal of and interest on all outstanding Water System Installment Payments, and principal of and interest on any Water System Parity Obligations issued or incurred after the date hereof payable from Water System Net Revenues coming due and payable during such Fiscal Year.

So long as the District has complied with its obligations set forth in the paragraph above, the failure of Water System Net Revenues to meet the threshold set forth in the paragraph above at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the District has complied with the paragraph above at the commencement of the succeeding Fiscal Year.

Wastewater System Installment Payments. To the fullest extent permitted by law, the District will fix and prescribe rates and charges in connection with the Wastewater System as a whole which are reasonably expected to be at least sufficient to yield during each Fiscal Year Wastewater System Net Revenues equal to 120% of debt service on the aggregate amount of the Wastewater System Installment Payments and Wastewater System Parity Obligations for such Fiscal Year. The District 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 Wastewater System Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this paragraph. For purposes of this calculation, amounts held by the District in the

Wastewater System Rate Stabilization Fund as of the beginning of any Fiscal Year may, at the election of the District, be treated as Wastewater System Net Revenues which are received during such Fiscal Year, in an amount not exceeding 25% of the amount of principal of and interest on all outstanding Installment Payments, and principal of and interest on any Parity Obligations issued or incurred after the date hereof payable from Wastewater System Net Revenues coming due and payable during such Fiscal Year.

So long as the District has complied with its obligations set forth in the paragraph above, the failure of Wastewater System Net Revenues to meet the threshold set forth in the paragraph above at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the District has complied with the paragraph above at the commencement of the succeeding Fiscal Year.

Revenue Funds

Water System. All of the Water System Revenues, together with any interest earned thereon, shall, so long as any Water System Certificates shall be Outstanding under the Water System Trust Agreement, be deposited as received by the District in the Water System Revenue Fund, which fund the District covenants and agrees to maintain under the Water System Installment Purchase Contract so long as any Water System Certificates shall be Outstanding under the Water System Trust Agreement.

Wastewater System. All of the Wastewater System Revenues, together with any interest earned thereon, shall, so long as any Wastewater System Certificates shall be Outstanding under the Wastewater System Trust Agreement, be deposited as received by the District in the Wastewater System Revenue Fund, which fund the District covenants and agrees to maintain under the Wastewater System Installment Purchase Contract so long as any Wastewater System Certificates shall be Outstanding under the Wastewater System Trust Agreement

Installment Payments

Water System Installment Payments.

On each January 15 and July 15 next preceding each February 1 and August 1 (each, a “Water System Installment Payment Date”), the District shall deposit with the Trustee, for deposit in the Water System Installment Payment Fund, from amounts legally available therefor on deposit in the Water System Revenue Fund, a sum equal to the interest component becoming due and payable with respect to the Outstanding Water System Certificates on the next succeeding Water System Interest Payment Date, plus an amount of the principal component of the Water System Certificates becoming due and payable with respect to the Outstanding Water System Certificates on such Water System Interest Payment Date. The Trustee shall deposit the money contained in the Water System Installment Payment Fund at the following respective times in the following respective accounts in the following order of priority in the manner hereinafter provided, each of which fund and account the Trustee has agreed to establish and maintain so long as any Water System Certificates are Outstanding, and the money in each of such funds shall be disbursed only for the purposes and uses authorized in the Water System Trust Agreement:

(a) *Interest Account.* The Trustee, on or before each Water System Interest Payment Date, shall deposit in the Interest Account that amount of money constituting the interest components of Water System Installment Payments representing the interest due and unpaid or becoming due and payable to but not including such Water System Interest Payment Date. No deposit shall be made into the Interest Account if the amount contained therein is at least equal to the interest component of Water System Installment Payments representing the interest becoming due and payable upon all Outstanding Water System Certificates on each succeeding Water System Interest Payment Date within the then current Water System Certificate Year. All money in the

Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest evidenced and represented by such Water System Certificates to but not including their respective Water System Interest Payment Dates or any other date on which the Water System Certificates may be prepaid in accordance with the Water System Trust Agreement.

(b) *Principal Account.* The Trustee on or before each August 1, shall deposit in the Principal Account that amount of money constituting the principal components of Water System Installment Payments representing the principal to become due and unpaid or becoming due and payable on August 1. No deposit shall be made into the Principal Account if the amount contained therein is at least equal to the principal components of Water System Installment Payments representing the principal to become due and unpaid or becoming due and payable on such Water System Interest Payment Date. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by such Water System Certificates on the principal payment date.

(c) *Prepayment Account.* The Trustee on the prepayment date specified in a certificate of the District filed with the Trustee at the time that any prepayment is paid to the Trustee pursuant to the Water System Installment Purchase Contract, shall deposit in the Prepayment Account the amount of such prepayment. All money in the Prepayment Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest and principal and any applicable premium evidenced and represented by such Water System Certificates to be prepaid on their respective prepayment dates.

Wastewater System Installment Payments.

On each March 8 and September 8 next preceding each March 15 and September 15 (each, a “Wastewater System Installment Payment Date”), the District shall deposit with the Trustee, for deposit in the Wastewater System Installment Payment Fund, from amounts legally available therefor on deposit in the Wastewater System Revenue Fund, a sum equal to the interest component becoming due and payable with respect to the Outstanding Wastewater System Certificates on the next succeeding Wastewater System Interest Payment Date, plus an amount of the principal component of the Wastewater System Certificates becoming due and payable with respect to the Outstanding Wastewater System Certificates on such Wastewater System Interest Payment Date. The Trustee shall deposit the money contained in the Wastewater System Installment Payment Fund at the following respective times in the following respective accounts in the following order of priority in the manner hereinafter provided, each of which fund and account the Trustee has agreed to establish and maintain so long as any Wastewater System Certificates are Outstanding, and the money in each of such funds shall be disbursed only for the purposes and uses authorized in the Wastewater System Trust Agreement:

(a) *Interest Account.* The Trustee, on or before each Wastewater System Interest Payment Date, shall deposit in the Interest Account that amount of money constituting the interest components of Wastewater System Installment Payments representing the interest due and unpaid or becoming due and payable to but not including such Wastewater System Interest Payment Date. No deposit shall be made into the Interest Account if the amount contained therein is at least equal to the interest component of Wastewater System Installment Payments representing the interest becoming due and payable upon all Outstanding Wastewater System Certificates on each succeeding Wastewater System Interest Payment Date within the then current Wastewater System Certificate Year. All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest evidenced and represented by such Wastewater System Certificates to but not including their respective Wastewater System Interest Payment Dates or any

other date on which the Wastewater System Certificates may be prepaid in accordance with the Wastewater System Trust Agreement.

(b) **Principal Account.** The Trustee on or before each September 15, shall deposit in the Principal Account that amount of money constituting the principal components of Wastewater System Installment Payments representing the principal to become due and unpaid or becoming due and payable on September 15. No deposit shall be made into the Principal Account if the amount contained therein is at least equal to the principal components of Wastewater System Installment Payments representing the principal to become due and unpaid or becoming due and payable on such Wastewater System Interest Payment Date. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by such Wastewater System Certificates on the principal payment date.

(c) **Prepayment Account.** The Trustee on the prepayment date specified in a certificate of the District filed with the Trustee at the time that any prepayment is paid to the Trustee pursuant to the Wastewater System Installment Purchase Contract, shall deposit in the Prepayment Account the amount of such prepayment. All money in the Prepayment Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest and principal and any applicable premium evidenced and represented by such Wastewater System Certificates to be prepaid on their respective prepayment dates.

In no event shall Water System Installment Payments be used to make payments on the Wastewater System Certificates and in no event shall the Wastewater System Installment Payments be used to make payments on the Water System Certificates.

Reserve Funds

Water System Certificates. The Water System Reserve Fund for the Water System Certificates is established under the Water System Trust Agreement and is funded from a portion of the proceeds of the Water System Certificates in an amount equal to the Reserve Requirement for the Water System Certificates. Amounts in the Water System Reserve Fund are to be used only for the payment of Water System Installment Payments to the extent amounts in the Water System Installment Payment Fund are insufficient therefor. The Reserve Requirement shall mean the lesser of (a) 10% of the original principal amount of the principal payments due under the Water System Installment Purchase Contract (less original issue discount, if any); (b) an amount equal to the maximum annual Water System Installment Payments, and interest thereon, payable by the District between such date of calculation and the expiration of the Water System Installment Purchase Contract; or (c) 125% of the average annual Water System Installment Payments, and interest thereon, payable by the District.

If, five days prior to any Water System Interest Payment Date, the money in the Water System Installment Payment Fund is insufficient to make the payments required under the Water System Trust Agreement with respect to the Water System Certificates on such Water System Interest Payment Date the Trustee will transfer from the Water System Reserve Fund to the Water System Installment Payment Fund the amount of such insufficiency.

Wastewater System Certificates. The Wastewater System Reserve Fund for the Wastewater System Certificates is established under the Wastewater System Trust Agreement and is funded from a portion of the proceeds of the Wastewater System Certificates in an amount equal to the Reserve Requirement for the Wastewater System Certificates. Amounts in the Wastewater System Reserve Fund are to be used only for the payment of Wastewater System Installment Payments to the extent amounts in the Wastewater System Installment Payment Fund are insufficient therefor. The Wastewater System Reserve Requirement shall

mean the lesser of (a) 10% of the original principal amount of the principal payments due under the Wastewater System Installment Purchase Contract (less original issue discount, if any); (b) an amount equal to the maximum annual Wastewater System Installment Payments, and interest thereon, payable by the District between such date of calculation and the expiration of the Wastewater System Installment Purchase Contract; or (c) 125% of the average annual Wastewater System Installment Payments, and interest thereon, payable by the District.

If, five days prior to any Wastewater System Interest Payment Date, the money in the Installment Payment Fund is insufficient to make the payments required under the Wastewater System Trust Agreement with respect to the Wastewater System Certificates on such Wastewater System Interest Payment Date the Trustee will transfer from the Wastewater System Reserve Fund to the Wastewater System Installment Payment Fund the amount of such insufficiency.

The Reserve Funds are not cross-collateralized. Amounts in the Water System Reserve Fund may not be used to make payments on the Wastewater System Certificates and amounts in the Wastewater Reserve Fund may not be used to make payments on the Water System Certificates.

Insurance

Each of the Installment Purchase Contracts require the District to procure and maintain insurance on the Enterprise with commercial insurers or through participation in a joint powers insurance authority, in such amounts, with such deductibles and against such risks (including accident to or destruction of the Enterprise) as are usually insurable in connection with similar enterprises.

In the event of any damage to or destruction of the applicable system caused by the perils covered by such insurance, the proceeds of such insurance shall be applied either (a) to the repair, reconstruction or replacement of the damaged or destroyed portion of the applicable system; or (b) if the repair, reconstruction or replacement of the damaged or destroyed portion of the applicable system is not essential to the efficient operation of the applicable system and the maintenance of Water System Net Revenues or Wastewater Net Revenues, as applicable, to prepay, on a pro rata basis across maturities, the applicable series of Certificates and any outstanding Water System Parity Obligations or Wastewater System Parity Obligations, as applicable. The District shall cause such repair, reconstruction or replacement to begin promptly after such damage or destruction shall occur and to continue and to be properly completed as expeditiously as possible, and shall pay out of the proceeds of such insurance all costs and expenses in connection with such repair, reconstruction or replacement so that the same shall be completed and the applicable system shall be free and clear of all liens and claims. If the proceeds received by reason of any such loss shall exceed the costs of such repair, reconstruction or replacement, the excess shall be applied to the prepayment of Water System Installment Payments or Wastewater System Installment Payments, as applicable, as provided in the applicable Installment Purchase Contract.

Alternatively, if the proceeds of such insurance are sufficient to enable the District to retire all outstanding Water System Parity Obligations or Wastewater System Parity Obligations, as applicable and the applicable series Certificates and all other amounts due hereunder and under the applicable Trust Agreement, the District may elect not to repair, reconstruct or replace the damaged or destroyed portion of the applicable system, and thereupon such proceeds shall be applied to the prepayment of the Water System Installment Payments or Wastewater System Installment Payments, as applicable as provided in the respective Installment Purchase Contracts and to the payment of all other amounts due hereunder and under the applicable Trust Agreement, and as otherwise required by the documents pursuant to which such Water System Parity Obligations and Wastewater System Parity Obligations, as applicable were issued.

In lieu of obtaining insurance coverage as required by the Water System Installment Purchase Contract or Wastewater System Installment Purchase Contract, as applicable, such coverage may be maintained by the District in the form of self-insurance so long as the District certifies to the Trustee and the Corporation that (a) the District has segregated amounts in a special insurance reserve meeting the requirements of the respective Installment Purchase Contract; (b) an Insurance Consultant certifies annually, on or before May 1 of each year in which self-insurance is maintained, in writing to the Trustee and the Corporation that the District's general insurance reserves are actuarially sound and are adequate to provide the necessary coverage; and (c) such reserves are held in a separate trust fund by an independent trustee.

Parity Obligations

Water System Certificates. The Water System Parity Obligations are described under the heading "THE WATER SYSTEM-Outstanding Water System Indebtedness. Such Water System Parity Obligations are payable from and secured by a pledge of and first lien (subject to the parity lien of any obligations currently outstanding and hereafter issued and incurred on a parity therewith) on Water System Net Revenues. Additional Water System Parity Obligations may be issued or incurred as described under the following heading "-Additional Indebtedness."

Wastewater System. The Wastewater System Parity Obligations are described under the heading "THE WASTEWATER SYSTEM-Outstanding Wastewater System Indebtedness. Such Wastewater System Parity Obligations are payable from and secured by a pledge of and first lien (subject to the parity lien of any obligations currently outstanding and hereafter issued and incurred on a parity therewith) on Wastewater System Net Revenues. Additional Wastewater System Parity Obligations may be issued or incurred as described under the following heading "-Additional Indebtedness."

Additional Indebtedness

Water System Parity Obligations. So long as any Water System Certificates are Outstanding, the District shall not issue or incur any obligations payable from Water System Net Revenues or the Revenue Fund senior or superior to the Water System Installment Payments. The District may at any time issue Water System Parity Obligations payable from Water System Net Revenues on a parity with the Water System Installment Payments to provide financing for the Water System in such principal amount as shall be determined by the District. The District may issue or incur any such Water System Parity Obligations subject to the following specific conditions which are hereby made conditions precedent to the issuance and delivery of such Water System Parity Obligations:

- (a) no Event of Default shall have occurred and be continuing; and
- (b) the Water System Net Revenues, calculated in accordance with Generally Accepted Accounting Principles, either (A) as shown by the books of the District for the latest Fiscal Year, as verified by a certificate of the District; or (B) as shown by the books of the District for any more recent 12-month period selected by the District ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which such Water System Parity Obligation is authorized, as verified by a certificate or opinion of an Independent Certified Public Accountant employed by the District, plus in either case (at the option of the District) the Additional Revenues relating to the Water System, shall be at least equal to 120% of the amount of Maximum Annual Debt Service relating to the Water System.

The provisions of clause (b) above shall not apply to any Water System Parity Obligations if (A) all of the proceeds of which (other than proceeds applied to pay costs of issuing such Water System Parity

Obligations and to make a deposit to any reserve fund established with respect to such Water System Parity Obligations) shall be deposited in an irrevocable escrow held in cash or invested in Federal Securities for the purpose of paying the principal of and interest and premium, if any, on any Outstanding Water System Certificates or on any outstanding Water System Parity Obligations; (B) at the time of the incurring of such Water System Parity Obligations, the District certifies in writing that maximum annual debt service on the refunding Water System Parity Obligations will not exceed Maximum Annual Debt Service on the Outstanding Water System Certificates or Water System Parity Obligations being refunded; and (C) the final maturity of the refunding Water System Parity Obligations is not later than the final maturity of the refunded Water System Certificates or Water System Parity Obligations.

The District may at any time execute contracts or issue bonds or other indebtedness payable from Water System Net Revenues or the Water System Revenue Fund payable on a subordinated basis to the payment of the Water System Installment Payments.

Wastewater System Parity Obligations. So long as any Wastewater System Certificates are Outstanding, the District shall not issue or incur any obligations payable from Wastewater System Net Revenues or the Wastewater System Revenue Fund senior or superior to the Wastewater System Installment Payments. The District may at any time issue Wastewater System Parity Obligations payable from Wastewater System Net Revenues on a parity with the Wastewater System Installment Payments to provide financing for the Wastewater System in such principal amount as shall be determined by the District. The District may issue or incur any such Wastewater System Parity Obligations subject to the following specific conditions which are hereby made conditions precedent to the issuance and delivery of such Wastewater System Parity Obligations:

- (a) no Event of Default shall have occurred and be continuing; and
- (b) the Wastewater System Net Revenues, calculated in accordance with Generally Accepted Accounting Principles, either (A) as shown by the books of the District for the latest Fiscal Year, as verified by a certificate of the District; or (B) as shown by the books of the District for any more recent 12-month period selected by the District, as verified by a certificate or opinion of an Independent Certified Public Accountant employed by the District, plus in either case (at the option of the District) the Additional Revenues relating to the Wastewater System, shall be at least equal to 120% of the amount of Maximum Annual Debt Service relating to the Wastewater System.

The provisions of clause (b) above shall not apply to any Wastewater System Parity Obligations if (A) all of the proceeds of which (other than proceeds applied to pay costs of issuing such Wastewater System Parity Obligations and to make a deposit to any reserve fund established with respect to such Wastewater System Parity Obligations) shall be deposited in an irrevocable escrow held in cash or invested in Federal Securities for the purpose of paying the principal of and interest and premium, if any, on any Outstanding Wastewater System Certificates or on any outstanding Wastewater System Parity Obligations; (B) at the time of the incurring of such Wastewater System Parity Obligations, the District certifies in writing that maximum annual debt service on the refunding Wastewater System Parity Obligations will not exceed Maximum Annual Debt Service on the Outstanding Wastewater System Certificates or Wastewater System Parity Obligations being refunded; and (C) the final maturity of the refunding Wastewater System Parity Obligations is not later than the final maturity of the refunded Wastewater System Certificates or Wastewater System Parity Obligations.

The District may at any time execute contracts or issue bonds or other indebtedness payable from Wastewater System Net Revenues or the Wastewater System Revenue Fund payable on a subordinated basis to the payment of the Wastewater System Installment Payments.

Rate Stabilization Funds

Water System. The District will establish a special fund designated as the “Water System Rate Stabilization Fund” to be held by the District in trust, which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as any Water System Installment Payments remain unpaid. Money may be transferred by the District from the Water System Revenue Fund to the Water System Rate Stabilization Fund and shall be held in the Water System Rate Stabilization Fund and applied in accordance with the Water System Installment Purchase Contract as follows:

All Water System Revenues remaining in the Water System Revenue Fund on February 1 and August 1 of each year, after withdrawing all of the sums required to be withdrawn therefrom by the Treasurer for the payment of Water System Maintenance and Operation Costs and Water System Installment Payments, or in connection with any Water System Parity Obligation, may be withdrawn by the Treasurer for expenditure for any lawful purpose of the District. From time to time the District may deposit in the Water System Rate Stabilization Fund, from remaining Water System Net Revenues or other available funds of the District, such amounts as the District shall determine. All interest or other earnings upon deposits in the Water System Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Water System Revenues.

The District may withdraw all or any portion of the amounts on deposit in the Water System Rate Stabilization Fund and transfer such amounts to the Water System Revenue Fund for application in accordance with the Water System Installment Purchase Contract or, in the event that all or a portion of the Water System Installment Payments are discharged in accordance with the Water System Installment Purchase Contract, transfer all or any portion of such amounts for application in accordance with the Water System Installment Purchase Contract. Amounts transferred from the Water System Rate Stabilization Fund to the Water System Revenue Fund during or within 270 days after a Fiscal Year, may be taken into account as Water System Revenues for purposes of the calculations of the Rate Covenant in such Fiscal Year.

Wastewater System. The District will establish a special fund designated as the “Wastewater System Rate Stabilization Fund” to be held by the District in trust, which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as any Wastewater System Installment Payments remain unpaid. Money may be transferred by the District from the Wastewater System Revenue Fund to the Wastewater System Rate Stabilization Fund and shall be held in the Wastewater System Rate Stabilization Fund and applied in accordance with the Wastewater System Installment Purchase Contract as follows:

All Wastewater System Revenues remaining in the Wastewater System Revenue Fund on March 15 and September 15 of each year, after withdrawing all of the sums required to be withdrawn therefrom by the Treasurer for the payment of Wastewater System Maintenance and Operation Costs and Wastewater System Installment Payments, or in connection with any Wastewater System Parity Obligation, may be withdrawn by the Treasurer for expenditure for any lawful purpose of the District. From time to time the District may deposit in the Wastewater System Rate Stabilization Fund, from remaining Wastewater System Net Revenues or other available funds of the District, such amounts as the District shall determine. All interest or other earnings upon deposits in the Wastewater System Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Wastewater System Revenues.

The District may withdraw all or any portion of the amounts on deposit in the Wastewater System Rate Stabilization Fund and transfer such amounts to the Wastewater System Revenue Fund for application in accordance with the Wastewater System Installment Purchase Contract or, in the event that all or a portion of the Wastewater System Installment Payments are discharged in accordance with the Wastewater

System Installment Purchase Contract, transfer all or any portion of such amounts for application in accordance with the Wastewater System Installment Purchase Contract. Amounts transferred from the Wastewater System Rate Stabilization Fund to the Wastewater System Revenue Fund during or within 270 days after a Fiscal Year, may be taken into account as Wastewater System Revenues for purposes of the calculations of the Rate Covenant in such Fiscal Year.

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SCHEDULE OF WATER SYSTEM INSTALLMENT PAYMENTS

Included in the following table is the schedule of the aggregate semiannual Water System Installment Payments payable by the District (assuming no early prepayments).

**McKinleyville Community Services District
Schedule of Water System Installment Payments**

Date *	Principal	Interest	Total	Date *	Principal	Interest	Total
	\$	\$	\$		\$	\$	\$

* The dates indicated on the schedule are Interest Payment Dates with respect to the Water System Certificates. The Due Dates for the related Water System Installment Payments are each January 15 and July 15.

Source: Underwriter.

SCHEDULE OF WASTEWATER SYSTEM INSTALLMENT PAYMENTS

Included in the following table is the schedule of the aggregate semiannual Wastewater System Installment Payments payable by the District (assuming no early prepayments).

**McKinleyville Community Services District
Schedule of Wastewater System Installment Payments**

Date*	Principal	Interest	Total	Date*	Principal	Interest	Total
	\$	\$	\$		\$	\$	\$

* The dates indicated on the schedule are Interest Payment Dates with respect to the Wastewater System Certificates. The Due Dates for the related Wastewater System Installment Payments are each March 8 and September 8.
Source: Underwriter.

CERTIFICATE INSURANCE

[TO BE PROVIDED UPON DETERMINATION OF BOND INSURER]

THE DISTRICT

General

The McKinleyville Community Services District (the “District”) is an unincorporated community located in Humboldt County (the “County”), in the State of California (the “State”) in the north coastal region of California, 300 miles north of San Francisco. The District service area has a population of approximately 17,208 and comprises certain unincorporated areas of Humboldt County contained within the District’s service area. The District is the third largest community population area in the County. The District currently incorporates an area of approximately 12,140 acres and contains primarily residential development.

The District was formed in 1970 for the purpose of operating a water system (the “Water System”) and wastewater system (the “Wastewater System”). Such purposes were expanded on a few occasions subsequent to the District’s formation, including in 1972, relative to street lighting power, 1985, relative to recreational powers and in 1995 with the authorization of the construction of the McKinleyville Library. The District is governed by a five-member Board of Directors, elected for four-year terms. The District operates under the “Community Services District Law,” being section 61000 et seq. of the California Government Code.

Board of Directors. The District is a governed entity administered by a Board of Directors (the “Board”) that acts as the authoritative and legislative body of the entity. The Board is comprised of five board members who are elected by voters living within the District’s boundaries. Elections are held within the Board to appoint the President of the Board.

General Manager. Patrick Kaspari, P.E. is the General Manager. Mr. Kaspari has been General Manager of the District since June of 2020. In his capacity as General Manager, Mr. Kaspari oversees the day-to-day operations of the District. Mr. Kaspari earned a Bachelor of Science degree in Chemical Engineering from the University of North Dakota and a Master of Science in Engineering, with a Water Resources emphasis, from the University of California at Berkeley, and is a licensed professional Engineer in Civil Engineering (CA). Prior to joining the District, he worked for the engineering consulting firm Winzler & Kelly/GHD in Eureka for the past 21 years. He has 30-years of water and wastewater design and operations experience. He has a long relationship with the District, having worked on the design and construction of several projects including the Ramey Pump Station Upgrades and the current Water/Sewer Master Planning efforts for replacement of the District’s water and sewer infrastructure, the 4.5 million gallons (“MG”) water tank project, the new Treatment Plant Microgrid project and the new Highway 101 Sewer Crossing project. Mr. Kaspari also served as the District Engineer for Humboldt Bay Municipal Water District (“HBMWD”), the regional water wholesaler, for approximately 10 years. He is very familiar with HBMWD’s system as well as the water, sewer and other infrastructure throughout the County

Finance Director. Collen M.R. Trask is the Finance Director. Ms. Trask has been the Finance Director and Department Head of the Support Services Department of the District since 2012. Before this, she was the Finance Manager for the North Coast Small Business Development Center, a non-profit funded by the US Small Business Administration, from 2001 - 2012, which provided free consulting and training to local small businesses and start-ups. She also has past experience with teaching at College of the Redwoods (Bookkeeping Certificate Program capstone classes and Accounting), and Humboldt State University (Government and Non-Profit Accounting).

Ms. Trask has a Bachelor of Science Degree in Business Administration from Sacramento State University and an MBA from Humboldt State University. She is a member of the Institute of Management Accountants (IMA) and the California Society for Municipal Finance Officers (CSMFO).

Employee Full Time Equivalents. The following table sets forth the employee full-time equivalents of the District for the Fiscal Year ended June 30, 2021.

**McKinleyville Community Services District
Employee Full-Time Equivalents (FTE)
As of June 30, 2021**

	Full-Time Benefitted	Part-Time & Seasonal	Total FTEs
General Manager	1	0	1
Support Services	6	1	6.5
Operations	11	4	13
Parks & Recreation	<u>7</u>	<u>12</u>	<u>9</u>
Total	25	17	29.5

Significant Accounting Policies

Governmental accounting systems are organized and operated on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Each of the Water System and the Wastewater System is accounted for in two separate enterprise funds. Enterprise funds are used to account for operations, (a) that are financed and operated in a manner similar to private business enterprises (where the intent of the governing body is that the costs expenses, including depreciation of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges); or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

For additional District accounting policies, see the notes to the financial statements in Appendix F.

Financial Statements

Fedak & Brown LLP, Certified Public Accountants, Bakersfield, California (the “Auditor”), audited the financial statements of the District for the Fiscal Year ended June 30, 2020. The Auditor’s examination was made in accordance with generally accepted auditing standards and Governmental Auditing Standards, issued by the Comptroller General of the United States. See “APPENDIX F—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2020.”

The District has not requested nor did the District obtain permission from the Auditor to include the audited 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 District.

Employee Pension Plan

The District qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Pension Plan (the “Plan”) administered by the California Public Employees’ Retirement System (“CalPERS”). The Plan consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety plans, respectively. On September 12, 2012, the California Governor signed the California Public Employees’ Pension Reform Act of 2013 (“PEPRA”) into law and took effect January 1, 2013. The new legislation closed the District’s CalPERS 2.0% at 60 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. All employees hired after January 1, 2013, are eligible for the District’s CalPERS 2.0% at 62 Retirement under PEPRA. The District is currently required to annually contribute 9.680% and 6.985% of compensation respectively, for all eligible participants under the respective plans. For the years ended June 30, 2020 and 2019, District contributions to the trust totaled \$212,575 and \$184,417, respectively. See Note 8 of “APPENDIX F—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2020” for additional information relative to the District Plan.

Other Post-Employment Benefits

The District administers a single-employer defined-benefit post-employment healthcare plan. Benefits vary by hire date; and continue to dependents, including surviving spouses. Retirees are eligible for medical benefits if they retire directly from the District by at least age 50 with 5 years of service. Employees hired before January 1, 2017 receive 100% District-paid coverage. Employees hired on or after January 1, 2017 receive 100% of the PPO rate. Dental benefits are not covered. At June 30, 2019 (the census date), 11 inactive employees or beneficiaries currently received benefit payments and there are 24 active employees, for a total plan membership of 35.

The District pays benefits as they come due. For the year ended June 30, 2020, the District contributed \$150,475 which includes implicit subsidy credit. The current OPEB liability of the District as of June 30, 2020 is \$8,608,124. For additional information on Other Post-Employment Benefits payable see Note 7 of “APPENDIX F—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2020.”

Investment Policies and Procedures

The District invests its funds in accordance with its investment policy, which is subject to annual review and approval by the Board. The District’s investment policy complies with the provisions of the California government Code, Sections 53600 through 53659 (the authority governing investments for municipal governments in the State) and limits the District to invest in the California Local Agency Investment Fund (LAIF), CalTRUST Funds and Humboldt County Treasurer’s Pool. In addition, the investment policy establishes further guidelines to limit the District’s investments from exposure to interest rate risk, credit risk, custodial risk and concentration of credit risk.

The District’s investment policy is intended to provide a guideline for the prudent investment of surplus cash, reserves, trust funds, and restricted monies and to outline a policy for maximizing the efficiency of the District’s cash management system in compliance with Section 53646 of the Government Code of California. The policy applies to all financial assets of the District as accounted for in the audited financial statements, other than proceeds of long-term debt. In accordance with the strategic goal of fiscal responsibility, the primary objectives of the District’s investment activities, in order of priority, are: safety of principal through the mitigation of both credit and market risk; maintenance of the liquidity necessary to

meet cash flow needs; and, lastly, return on investment. The District reviews the investment policy periodically and may adjust the policy as investment objectives change.

See Note 2 in “APPENDIX F—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2020” for additional information on the District’s investment policies and procedures.

Cybersecurity

The District’s cybersecurity protections in place include, but are not limited to the following: endpoint & server security including EDR (Endpoint Detection and Response), managed threat response (24x7 Security Operations Center), email security gateway, endpoint encryption, network firewall, endpoint and server patch management, least privilege account security, MFA (Multifactor Authentication), secure remote access via VPN and phishing campaigns and training. Note that despite the efforts of the District, no assurances can be given that the District’s efforts to manage cyber threats and attacks will be successful or that an such attack will not materially impact the operations or finances of the District or the Enterprise. See “CERTAIN RISK FACTORS FOR THE CERTIFICATES-Cybersecurity Risks.”

Billing and Collection Procedures

The District is on a monthly billing cycle for Water System and Wastewater System service charges. Payment to the Water System is deemed delinquent thirty (30) days from the date printed on the bill. If the bill is not paid within sixty (60) days after the date of delinquency, service may be discontinued. A reconnection charge and penalties will be made in accordance with the District’s Rules and Regulations and collected prior to renewing service following discontinuation.

Water service may be terminated by the District in compliance with the notice and other requirements of State law for any of the following reasons: delinquency in payment of any residential water service rate or charge in accordance with District policy, delinquency in payment of any commercial or other nonresidential water service rate or charge, unauthorized taking of water or the taking of water in excess of the amount paid for, the failure of the customer to maintain facilities in suitable condition to prevent waste of water, the existence of an unprotected cross connection on the customer’s premises or the lack of adequate backflow protection at the service connection or any violation by the customer of any rules of the District governing water service.

The District will provide for the collection of its wastewater service charges with the rates for the services of the Water System. The Wastewater System service charges shall be itemized, billed upon the same bill as the Water System and collected as one item, together with and not separately from such utility service charge. If all or any part of the bill on which any sewer service charge is collected is not paid, the District may discontinue its water or utility service until such bill is paid. The District may provide for the collection of all such delinquent charges that have not been paid and collected at the time of establishing its tax rate, upon the tax role which the District taxes are collected and in the same manner provided by law therefore.

The District has not had any material charges considered uncollectible in the past several years. If services are shut-off, the fee to reestablish service is a \$25.00 reconnect fee. Pursuant to Section 61115 of the California Government Code, the Board of Directors of the District may provide that any water or wastewater charges, delinquencies and penalties may be collected on the County tax roll in the same manner as property taxes. In the event the Board takes such action the General Manager of the District, on or before August 10 of each year following the Board’s determination, shall file with the County Auditor a copy of

a final report adopted by the Board of Directors detailing the affected and delinquent parcels. To date, the District has not placed any delinquencies and penalties of its customers on the County tax roll.

THE WATER SYSTEM

Overview

The District as of October 22, 2021 provided approximately 7,488 water service connections with a mixture of urban and rural land uses with a projected growth rate of 0.62 percent per year. These land uses include urban development areas, a commercial town center, rural areas and undeveloped forest and timberland. The District has mostly residential dwellings served by a small commercial urban area. There is a U.S. Coast Guard Air Station, Federal Courthouse, and a Regional Airport within the service area. The urban and residential areas of the District have been gradually filling in over the past 20 years. The District's service area is not expected to expand beyond the current service area boundary due to the terrain and geography of the area. There are a limited number of vacant parcels within the service area. The development of these parcels is not expected to have impacts on the local water resources or climate considerations. Currently there are no plans for expansion of the service area, the annexation of additional customers, or plans for substantive industrial development within the service area.

The District purchases its wholesale water supply from the Humboldt Bay Municipal Water District ("HBMWD"), which diverts water from its million-gallon tank on Essex Hill under the Mad River to the District's Grant A. Ramey Pump Station at North Bank and Azalea Roads. Water is then pumped to storage tanks at McCluski Hill, Cochran Road and Norton Road. See "-Water System Supply – Humboldt Bay Municipal Water District" below. The District's six storage tanks have a combined capacity of 5.25 million gallons, approximately a 36-hour supply for the approximately 7,488 water customers.

The District has four pressure zones and the primary facilities comprising the Water System, as of June 30, 2021, included six storage tanks with a total capacity of approximately 5.25 million gallons, three booster stations to move water to different elevations and approximately 91 miles of water transmission and distribution mains, and related control and telemetering systems.

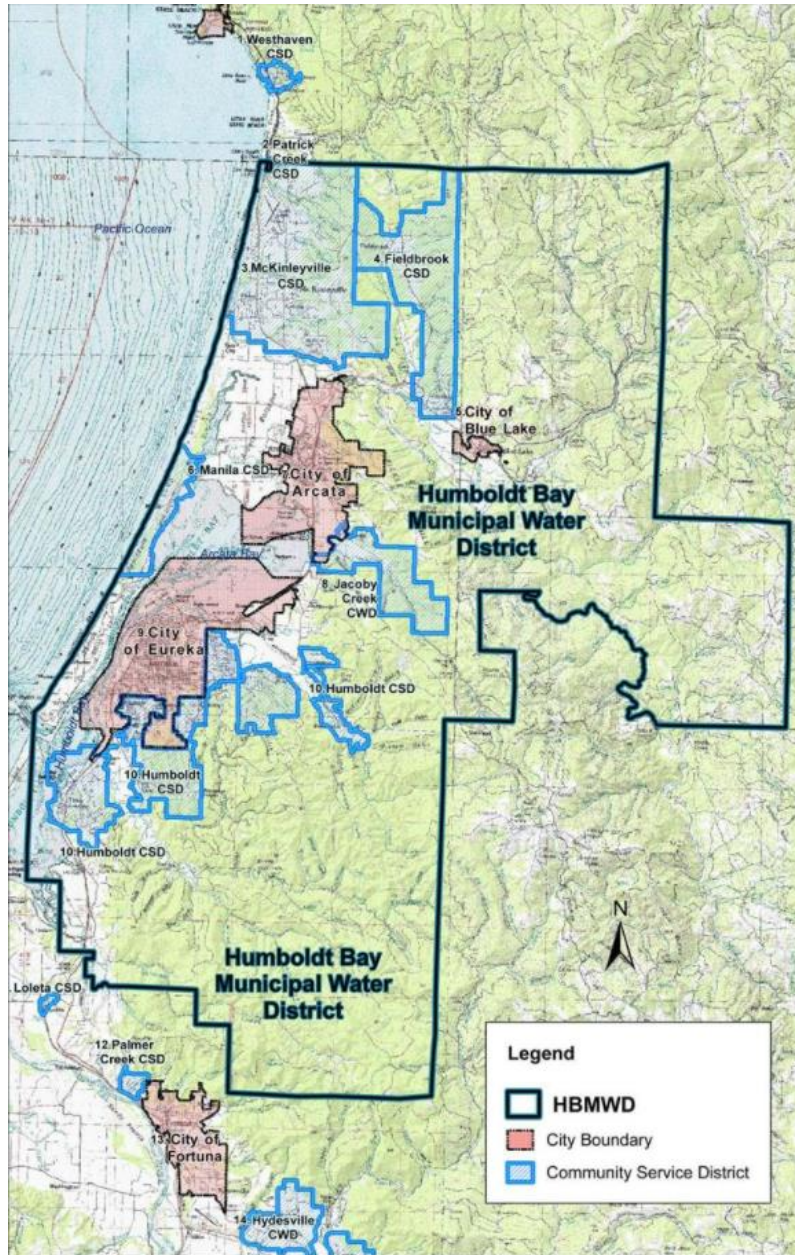
Approximately 84% of District total water demand, currently approximately 450 MG per year, is from residential users, and substantially all of the District's customers are billed based on individually metered water usage. Based on projected build-out, the anticipated total water system demand is estimated to be 541 acre-feet a year, by year 2040.

Water System Supply - Humboldt Bay Municipal Water District

[ADD DISCLOSURE RE DROUGHT PROCLAMATION]

HBMWD operates a regional water system and provides service at the wholesale level. Since the early 1960s, the District has reliably supplied water to customers in the greater Humboldt Bay area of Humboldt County, California. HBMWD provides treated, potable water for domestic and business use to seven municipalities (wholesale customers), as well as approximately 200 retail customers. HBMWD is the sole source of Water for the District.

The graphic below depicts the Retail Services Map for the HBMWD which includes the District.



HBMWD anticipates having more than enough water supply to serve existing and future customers, even during drought years. HBMWD's source of water, Ruth Lake reservoir has filled multiple times during drought years and supplies a consistent, reliable source of water, thereby reducing any challenges to water supply availability. Ruth Lake reservoir impounds only about 3% of the watershed and fills at a very rapid rate in normal rainfall years. Approximately 11 MGD is delivered to the municipal/district customers and entitlement is limited by actions taken during water shortage emergencies. Of the delivered water, a peak flow rate of 2.6 MGD is committed to serve the District's customers.

HBMWD operates two separate and distinct water systems: a domestic water system which supplies treated drinking water; and an industrial system which supplies untreated raw water to large industrial users for industrial purposes. HBMWD's system consists of the following facilities:

- R. W. Matthews Dam which forms Ruth Lake reservoir in southern Trinity County
- Gosselin Hydro-Electric Power House at Matthews Dam
- Diversion, pumping and control facilities adjacent to the Mad River near Essex at the John R. Winzler Operations and Control Center
- Storage and treatment facilities
- Two separate and distinct pipeline systems which deliver treated drinking water or untreated raw water to HBMWD's customers.

R. W. Matthews Dam impounds runoff from the upper quarter of the Mad River basin, an area of approximately 121 square miles. The capacity of Ruth Lake reservoir, impounded by Matthews Dam, is 48,030 acre-feet.

A portion of the water stored in Ruth Lake is released each summer and fall to satisfy HBMWD's downstream diversion requirements, as well as maintain minimum bypass flow requirements in the Mad River below Essex. Although HBMWD impounds water at Ruth Lake reservoir and diverts water at Essex, the operations do not significantly affect the natural flow regime in the Mad River. There are several reasons for this, described as follows.

The total volume of water impounded and diverted by HBMWD represents a small percentage of the natural yield of the Mad River watershed. The Mad River's average annual discharge into the Pacific Ocean is just over 1,000,000 AF. Ruth Lake reservoir, in its entirety, represents less than 5% of the total average annual runoff from the Mad River basin. The total 48,030 AF capacity of Ruth Lake reservoir is not drawn down each year, so the amount of winter-season runoff captured in the reservoir is yet a smaller percentage of the total runoff. With respect to diversions, the current withdrawal rate at Essex averages 10 million gallons per day (11,000 AF per year), which is only 1% of the total annual average runoff of the Mad River watershed. This diversion is accomplished by extracting river water from the underlying aquifer via Ranney Collectors. In the winter months, additional filtration is provided by an in-line filtration facility. The full diversion capacity of 75 MGD (84,000 AF per year) is just 8% of the total annual average runoff of the watershed. The balance of the capacity above that diverted via the Ranney Collectors can be pumped from a screened surface diversion, also at Essex.

Climate Change. HBMWD's dam, reservoir and diversion facilities are not at risk due to factors associated with climate change – sea level rise or changes in precipitation intensity. Water supplies could be affected by changing precipitation patterns. However, predictions of precipitation pattern changes associated with global circulation models project that the Pacific Northwest (including the North Coast of California) will receive increased rainfall, while the Southwestern U.S., including Southern California, will likely become drier. In an analysis completed in 2015, HBMWD identified a water supply delivery level of at least 36 MGD (Compared to the 10 MGD delivered in 2015) that would be sustainable even under continuous hydrologic conditions similar to those experienced in the 1976-77 drought, which is the drought of record for the area. Even this result is a conservative assessment, as it also assumes that diversions are directly at Matthews Dam, rather than 75 miles downstream at Essex, where intervening accretions in river flow would provide even more water supply available for diversion.

Wholesale Water Contracts. The HBMWD is primarily a wholesale water provider. The HBMWD has long-term contracts with its wholesale customers that govern wholesale rates, charges and conditions of service. The District has twenty-year contracts, effective July 1, 2017, in place with the following wholesale municipal customers: City of Arcata, City of Blue Lake, City of Eureka, Fieldbrooke-

Glendale Community Services District, Humboldt Community Services District, Manila Community Services District and the District. See “-*District Contract with HBMWD for Wholesale Supply of Municipal Water*” below.

All operating, maintenance and capital costs associated with the regional water system are paid for by the wholesale customers. The rate structure is based on “Price Factor” formulas which allocate, in proportional shares, the operating, maintenance and capital costs of the District to each of the wholesale customers. Municipal customers are billed monthly for water usage based on their share of such operating, maintenance and capital costs.

The following table sets forth the Annual Supply and Demand Projections for the District which is supplied by HBMWD.

TABLE I
McKinleyville Community Services District
Annual Supply and Demand Projections

	2025	2030	2035	2040
Water Source Supply (MG)	949	949	949	949
Projected District Demand (MG)	471	492	517	541

Source: McKinleyville Community Services District 2020 Urban Water Management Plan adopted by the Board on August 4, 2021

District Contract with HBMWD for Wholesale Supply of Municipal Water. The District and HBMWD entered into a Contract for Supply of Municipal Water, dated as of July 1, 2017 (the “Water Supply Contract”). The Water Supply Contract provides for wholesale water service to the District as a customer of HBMWD. The Water Supply Contract took effect on July 1, 2017 and remains in effect until June 30, 2037. The District has the right to extend the term of the Water Supply Contract for an additional period of up to ten (10) years, to and including June 30, 2047. The District shall give notice in writing of its exercise of this option no later than December 31, 2036.

During the term of the Water Supply Contract, the HBMWD agrees to provide water to the District and the District agrees to purchase water in accordance with the terms and conditions of such contract as well as the Humboldt Bay Municipal Water District Ordinance 16 for Establishing Rates, Charges and Conditions of Service for Water Sales to Municipal Water Customers (the “HBMWD Ordinance 16”) incorporated therein.

HBMWD Ordinance 16 provides for and establishes the rates, charges and conditions of service for water sales to the District until June 30, 2037 or such later date as the Water Supply Contract may terminate. Such ordinance outlines the price factors as well as revenue credits applicable to customers of HBMWD. The price factor amounts charged to the District contains a fair share portion of the costs of operation, maintenance, repair and replacement of the water facilities of HBMWD as well as the fair share portion of the costs of construction, operation, maintenance, repair and replacement of the water treatment facilities of HBMWD.

Summary of Operations

The District provides potable water to the following water use sectors: single-family residential, multi-family residential, commercial, sales/transfers to another agency, institutional and government, bulk water sales, and landscape water. The District does not sell raw or recycled water to customers. The 2020

Average Daily Demand (“ADD”) for the entire District Water System was 1.42 MG, the Maximum Daily Demand is 2.52 MG. The current ADD is not expected to increase much over the next ten years due to the District being close to full build out.

The District establishes water use restrictions and prohibitions to be implemented during times of declared water shortages or declared water shortage emergencies. It has established six levels of response actions to be implemented in times of shortage, with increasing restrictions on water use in response to worsening drought conditions or decreasing available supplies. While droughts in the Humboldt Bay area have not resulted in the level of water supply shortfalls that other areas of California routinely experience, voluntary water rationing measures were previously implemented in January 2014.

The drought of 1976-1977 was the only declared water emergency on the north coast. During that event, Ruth Lake storage was 52% of normal average volume and rainfall in the Ruth Lake area was 42% of historical average. The drought came to an end with heavy rains during November 1977. Even during this drought, the District did not experience water supply restrictions and the District’s supplies were sufficient to meet normal demand without restrictions.

The District’s Urban Water Management Plan indicates that the driest three-year period was 1990, 1991, and 1992. During this period of time conditions requiring implementation of water shortage emergency did not exist, there were no restrictions on water supplied by the HBMWD as such District water supplies were sufficient to meet normal demand without restrictions.

Table II summarizes the operation of the Water System for the past six Fiscal Years.

TABLE II
McKinleyville Community Services District
Water System
Summary of Operations
(as of June 30)

	2016	2017	2018	2019	2020	2021
Treated Water Entitlement ^{1,2} (AF/DAY)	29.1	29.1	29.1	29.1	29.1	29.1
Potable Water Sold ¹	1,210	1,195	1,257	1,177	1,315	1,424
Number of Service Connections: ³						
Residential	5,324	5,349	5,400	5,428	5,457	5,505
Commercial	<u>253</u>	<u>250</u>	<u>244</u>	<u>247</u>	<u>248</u>	<u>248</u>
Total Number of Service Connections	5,577	5,599	5,644	5,675	5,705	5,753
Population ⁴	15,543	15,636	15,729	15,823	15,918	16,262
Cost of HBMWD Water \$/a-f	\$606.04	\$610.40	\$688.88	\$693.24	\$706.32	\$736.84

¹ In acre-feet.

² May not be equal to the Purveyor’s actual water deliveries from Humboldt Bay Municipal Water District.

³ Excludes temporary meters.

⁴ Estimated; 2020 population source Census Bureau.

Source: McKinleyville Community Services District.

Water Demand and Deliveries

The Water System records the volume of water delivered by it. Over the past 10 years, the Water System has delivered, on average, 450 MG per fiscal year of potable water. The average daily demand is approximately 1.42 MG.

Table III summarizes treated water deliveries for the most recent 10 Fiscal Years and the projection for Fiscal Year 2021–22.

TABLE III
McKinleyville Community Services District
Water System Delivery
(Fiscal Year 2012–22)

Fiscal Year (as of June 30)	Total of Delivered
2012	1,528
2013	1,372
2014	1,240
2015	1,372
2016	1,210
2017	1,195
2018	1,257
2019	1,177
2020	1,315
2021	1,424
2022 ¹	1,438

¹ Projected

Source: McKinleyville Community Services District.

See Table VI herein for a description of historical water sales. The District estimates that potable water delivered for the current Fiscal Year will be approximately 450 MG and based on projected build-out within the District boundaries, the District anticipates that total water system demand is estimated to be 541 MG per year, beginning in Fiscal Year 2040.

Water System Rates and Charges

General. The District periodically reviews water rates to determine if they are sufficient to cover operation and maintenance costs, capital improvement expenditures and debt service requirements. Neither the District nor the Water System is subject to the jurisdiction of, or regulation by, the CPUC or any other regulatory body in connection with the establishment of charges and fees related to the Water System.

The monthly charge for water service to a customer is calculated by adding (a) a fixed monthly charge based on the size of the customer’s water meter, (b) a consumption charge based on the amount of water consumed by the customer and (c) a “pass through” charge based on the amount of water consumed by the customer. The pass-through charge is the wholesale rate charged by Humboldt Bay Municipal Water District to the District, expressed on a per Hundred Cubic Feet (“hcf”) basis. Effective January 1, 2019, the pass-through charge is \$1.59 per hcf. The pass-through charge is automatically adjusted each time a change in the wholesale cost becomes effective. The current service charges recover the water district’s fixed costs and the current quantity charges recover the variable costs.

New customers must pay a connection fee at the time a building permit is issued, or when a developer’s water construction plans for a housing tract are approved by the District. The fees vary depending on the size of meter needed to serve the property.

Table IV presents the historical and current schedule of water rates and charges of the District effective April 1 of the years shown. The water rates were initially increased in 2018 pursuant to a cost of water service analysis prepared by Willdan Financial Services in September 2018 and the District’s water rates have increased each fiscal year thereafter. The water rate adjustments reflect cost of water increases due to water system maintenance and operation costs and other supply costs passed on by HBMWD, over which the District has no control.

2018 Rate Study. In 2018, the District commissioned Willdan Financial Services to prepare a rate study for the Water System. The rate study was provided in September 2018, and recommended rates for the Water System to provide adequate funding through Fiscal Year 2022–23. An additional rate study will be completed and finalized in 2023.

Pursuant to Board of Directors action taken on November 7, 2018, the District adopted the following water rates:

TABLE IV
McKinleyville Community Services District
Water System
Rates and Charges
(Fiscal Years 2018–19 through 2022–23)

Meter Size	Monthly Readiness-To-Serve Charge*				
	2018–19 Minimum Charge	2019–20 Minimum Charge	2020–21 Minimum Charge	2021–22 Minimum Charge	2022–23 Minimum Charge
5/8"	\$ 16.47	\$ 17.62	\$ 18.68	\$ 19.80	\$ 20.39
3/4"	22.23	24.49	26.71	29.11	30.59
1"	33.60	38.06	42.59	47.52	50.98
1½"	62.09	71.89	82.01	93.06	101.95
2"	96.35	112.59	129.45	147.91	163.12
3"	1,79.52	214.61	251.43	291.85	326.24
4"	2,90.53	343.59	399.00	459.76	509.75
6"	5,75.46	682.07	793.53	915.75	1,019.50
8"	9,17.71	1,088.92	1,268.00	1,464.41	1,631.20
Quantity Rates (Per 100 cubic feet)					
	2018–19	2019–20	2020–21	2021–22	2022–23
Quantity Rate (0-8 CF)	\$1.57	\$1.68	\$1.78	\$1.89	\$1.95
Quantity Rate (8+ CF)	3.93	4.20	4.45	4.73	4.88
Pass-Through Charge					
Pass-Through Charge (per 100 CF)	1.58	1.64	1.71	1.78	1.85

* Monthly readiness-to-serve charge is applied to all services and any quantity of water used is an additional charge computed at the quantity rate.
Source: McKinleyville Community Services District

District Policy Regarding Water Rates. The District typically conducts a review of user charges in the water funds at least every five years. The purpose of the periodic water rate reviews is to set these charges at a level that fully supports the total direct and indirect cost of the service the District is providing to its residents. The fee policy assures the enterprise continues to be financially self-sufficient, maintains adequate reserves, and adequately funds capital replacement and improvement projects. The District plans to update its capital improvement and capital replacement program every five years. The District expects

to commence a review of its water rates in Fiscal Year 2022 to determine if a water rate increase is necessary. No assurances can be given that such review will result in an increase in existing water rates.

The following table set forth the comparison of Water System rates to other neighboring utility systems.

**Water System
Rate Comparison With Neighboring Utility Systems**

Utility System²	Water Rates¹
City of Arcata	\$66.56
Humboldt CSD	59.02
City of Eureka	51.05
Manila CSD	49.42
City of Redding	34.83
McKinleyville CSD	33.01
Crescent City	30.40
City of Red Bluff	21.38

¹ Assumes an inside-City single-family residential customer with a 5/8 x 3/4-inch water meter using 6,000 gallons of combined service per month.

² Based on rate information reported by the respective utility systems or as provided by the South Carolina Budget and Control Board, Office of Local Government.

Source: McKinleyville Community Services District.

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Historic Delinquent Collections

Table V shows the District’s delinquent collections for the Water System for Fiscal Year ended 2015 through 2021 (unaudited).

TABLE V
McKinleyville Community Services District
Water System Delinquent Collections
(Fiscal Year 2015–21)

Fiscal Year (as of June 30)	Delinquent Collections ²	Percentage of Water Sales
2015	\$ 4,939	0.17%
2016	5,963	0.20
2017	5,601	0.17
2018	5,152	0.16
2019	4,637	0.14
2020	12,497	0.34
2021 ¹	12,589	0.31

¹ Unaudited

² Delinquent Collections consists of customer balances that have been sent to collections and have not yet been collected by the District.

Source: McKinleyville Community Services District.

Historic Water Sales Gross Revenues

Table VI shows the District’s annual Water System Gross Revenues for the six most recent Fiscal Years, excerpted from the District’s audited financial statements.

TABLE VI
McKinleyville Community Services District
Water System Historic Water Sales Gross Revenues
(as of June 30)

Fiscal Year (Ended June 30)	Water Revenue	% Change
2016	\$3,648,905	(11.4)%
2017	3,601,020	(1.31)
2018	3,618,085	0.47
2019	3,893,989	8.82
2020	4,318,467	1.39
2021*	4,626,454	7.13

* Unaudited.

Source: McKinleyville Community Services District

Service Connections

Service connections in the Water System range in diameter from five-eighths inch to eight inches. All water production and consumption is metered. Table VII presents a summary of service connections for the Fiscal Years ended 2017 through 2021. The District estimates that connections will hold stable or marginally increase over the next four years.

**TABLE VII
McKinleyville Community Services District
Water System
Water Service Connections**

Fiscal Year Ending June 30	Residential Connections	Commercial Connections
2017	5,349	250
2018	5,400	244
2019	5,428	247
2020	5,457	248
2021	5,505	248

Source: McKinleyville Community Services District

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Principal Customers

The following customers set forth in Table VIII are the 10 largest potable water customers of the Water System based on estimated consumption as of June 30, 2021. The top 10 potable water users accounted for approximately 6.22% of total water consumption in Fiscal Year 2020–21 and 2.25% of total water revenues in Fiscal Year 2020-21.

TABLE VIII
McKinleyville Community Services District
Water System
Ten Largest Customers
(as of June 30, 2021)

Customer	Customer Class	Fiscal Year 2020–21 Consumption ¹	Percent of Total ²	Fiscal Year 2020–21 Revenues	Percent of Total ³
CUSTOMER NO. 1	RESIDENTIAL	9,299	1.71%	\$34,926.21	0.75%
CUSTOMER NO. 2	RESIDENTIAL	6,129	1.13	22,525.98	0.04
CUSTOMER NO. 3	RESIDENTIAL	3,355	0.62	12,270.48	0.26
CUSTOMER NO. 4	REDISIDENTIAL	2,985	0.55	11,108.46	0.24
CUSTOMER NO. 5	RESIDENTIAL	2,366	0.43	\$8,671.83	0.19
CUSTOMER NO. 6	RESIDENTIAL	2,146	0.39	\$7,904.64	0.17
CUSTOMER NO. 7	COMMERCIAL	2,052	0.37	\$7,407.00	0.16
CUSTOMER NO. 8	RESIDENTIAL	1,920	0.35	\$6,821.43	0.15
CUSTOMER NO. 9	COMMERCIAL	1,892	0.34	\$6,745.50	0.15
CUSTOMER NO. 10	COMMERCIAL	<u>1,864</u>	<u>0.33</u>	<u>\$6,686.52</u>	<u>0.14</u>
Totals		34,008	6.22%	\$125,128.05	2.25%

¹ In centum cubic feet (100 cubic feet).

² Based on total of approximately 556,929 centum cubic feet delivered in Fiscal Year 2020–21 (estimated).

³ Based on total Fiscal Year 2020–21 water sale revenues of approximately \$4,626,454.

Source: McKinleyville Community Services District

Outstanding Water System Indebtedness

ARRA Loan. In 2011, the District entered into a loan agreement with the California Energy Resources Conservation and Development Commission for the purpose of financing water system improvements. The loan amount totaled \$165,100 and bears an interest rate of 1.00% per annum. Semi-annual principal and interest payments are \$6,225 and are due June and December of each year. Such loan matures in 2028.

Davis-Grunsky Act Loan. In 1971, the District entered into a loan agreement with the State of California for a construction loan to finance improvements to the District’s Water System. The loan amount was not to exceed \$3,673,000 and bears an interest rate of 2.50% per annum. Annual payment of principal is due January of each year and semi-annual payments of interest are due January and July of each year. The terms of the loan agreement defers payment of interest for the first 10 years with such interest to be repaid over the remaining 50 years of the loan. The District was required to establish a reserve fund in an amount specified by the State. The District is subject to levy taxes or special assessments to repay the loan should it not have sufficient resources available to make the scheduled payments. Such loan matures in 2033.

I-Bank Loan. In 2012, the District entered into a loan agreement with the California Infrastructure and Economic Development Bank for the purpose of financing improvements to its Water System. The loan amount totaled \$956,034 and bears interest at a rate of 3.37% per annum. Annual payments of principal are due August of each year and semi-annual payments of interest are due February and August of each year. Repayment is to continue through August 2030. The loan is secured by a pledge of and lien on the Water System Net Revenues, subject and subordinate to any lien securing senior debt.

Capital Improvement Plan

General. The District is continually making improvements to the Water System to maintain operations, accommodate new connections, and maintain compliance with all currently known federal and State mandates. In addition, the District has been progressing its plans related to systematically replacing its 50-year old water and sewer infrastructure. The current rate structure has been established to set aside \$1 million in water fees and \$1 million in sewer fees to go toward this systematic replacement. The District has also been aggressively pursuing grant funds to replace specific components of the system including the existing mainline connection to HBMWD and the water storage tanks.

Additionally, the District is in the process of completing a master planning effort for the water distribution system. The master planning effort includes an analysis of all of the pipelines, service laterals, blow-off assemblies, and valves (including isolation, air release, and pressure reducing valves) in the District’s water distribution system. The majority of the system was installed in 1973 and the master planning effort is geared toward the assessment of the existing system pipes and pump stations, identifying areas of near-term concern, and plan for the replacement of the identified sections of the mains and pump stations. The initial assessment phases, Phase 1 & 2 of the master plan have been completed. The final Phase 3 master plan containing all the prioritization and final recommendations is due to be completed in early 2022. The District has begun putting away funds dedicated to the water system upgrades starting in 2019. The water main replacements in Central Avenue were identified as a priority in Phase 1 of the Master Planning effort.

Current CIP. The District anticipates funding the Water System CIP through connection fees received for new connections to the Water System and through water system revenues. The following are major Water System improvements anticipated over the next 10 years. As discussed in the previous paragraph, a water master plan is currently being finalized for the District and such plan may identify additional improvements needed for the District’s Water System.

Proposed Improvement	Estimated Cost
New 4.5MG Storage Tank	\$12,300,00
Replacement of Central Ave Water Mains	2,000,000
Painting of Existing Water Storage Tanks	1,000,000
Ramey Pump Station Upgrades	230,000
Install Redundant Connection to HMWD	3,000,000
Digital Control & Telemetry Upgrades	1,000,000
McCluski Tank Replacement	1,000,000

Water System Historical Debt Service Coverage

The following table shows revenues, expenses and debt service coverage for the Water System for the prior four fiscal years, based on the District's audited financial statements for 2016-17 through 2019-20 and unaudited for 2020-21.

	Audited 2016-17	Audited 2017-18	Audited 2018-19	Audited 2019-20	Unaudited 2020-21
OPERATING REVENUES:					
Water System Revenues	\$3,287,859	\$3,180,456	\$3,311,915	\$3,660,510	\$4,038,709
Other Service Charges	132,751	147,399	143,141	126,560	132,506
State Grants ¹	0	0	0	0	0
Other Water System Revenues	<u>11,122</u>	<u>45,377</u>	<u>134,908</u>	<u>165,380</u>	<u>50,677</u>
Total Water System Revenues	<u>\$3,431,732</u>	<u>\$3,373,232</u>	<u>\$3,589,964</u>	<u>\$3,952,450</u>	<u>\$4,221,892</u>
OPERATING EXPENSES					
Water Purchase	\$933,907	\$867,122	\$1,056,472	\$1,094,722	\$1,147,401
Salaries and Related Expenses	495,126	482,153	461,711	509,490	501,151
Employee Benefits	465,960	595,365	549,586	624,094	713,527
Other Operating Expenses	<u>304,436</u>	<u>337,087</u>	<u>370,121</u>	<u>421,250</u>	<u>536,592</u>
Total Operating Expenses	<u>\$2,199,429</u>	<u>\$2,281,727</u>	<u>\$2,437,890</u>	<u>\$2,649,556</u>	<u>\$2,898,671</u>
WATER SYSTEM NET REVENUES:	\$1,691,111	\$1,728,353	\$2,175,322	\$2,305,205	\$3,549,834
DEBT SERVICE:					
ARRA Loan	\$12,451	\$12,451	\$12,451	\$12,451	\$12,390
Davis Grunsky Loan	141,278	141,278	141,278	141,278	141,278
I-Bank Loan	70,648	70,498	70,343	70,183	70,018
2021 Water Revenue Installment Payments ²	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Service	<u>\$224,377</u>	<u>\$224,227</u>	<u>\$224,072</u>	<u>\$223,912</u>	<u>\$223,686</u>
DEBT SERVICE COVERAGE	5.49x	4.87x	5.14x	5.82x	5.92x

Source: District Audited Financial Statements for fiscal years 2016-17 through 2019-20. The District for unaudited fiscal year 2020-21 figures.

1. Excludes State Grants Received in Fiscal Year ended June 30, 2020 of \$89,989 and Fiscal Year ended June 30, 2021 of \$280,400

2. Preliminary; subject to change.

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Water System Projected Debt Service Coverage

The following table shows revenues, expenses and debt service coverage for the Water System projected for the next five years.

	Budgeted* 2021-22	Projected ² 2022-23	Projected ² 2023-24	Projected ² 2024-25	Projected ² 2025-26
OPERATING REVENUES					
Water System Revenues	\$4,190,549	\$4,190,549	\$4,190,549	\$4,190,549	\$4,190,549
Other Service Charges	121,219	121,219	121,219	121,219	121,219
State Grants ²	0	0	0	0	0
Other Water System Revenues	<u>54,000</u>	<u>54,000</u>	<u>54,000</u>	<u>54,000</u>	<u>54,000</u>
Total Water System Revenues	<u>\$4,365,768</u>	<u>\$4,365,768</u>	<u>\$4,365,768</u>	<u>\$4,365,768</u>	<u>\$4,365,768</u>
OPERATING EXPENSES					
Water Purchase	\$1,154,476	\$1,189,110	\$1,224,784	\$1,261,527	\$1,299,373
Salaries and related expenses	590,005	607,705	625,936	644,714	664,056
Employee Benefits	772,146	795,310	819,170	843,745	869,057
Other Operating Expenses	<u>608,198</u>	<u>626,444</u>	<u>645,237</u>	<u>664,594</u>	<u>684,532</u>
Total Operating Expenses	<u>\$3,124,825</u>	<u>\$3,218,570</u>	<u>\$3,315,127</u>	<u>\$3,414,581</u>	<u>\$3,517,018</u>
WATER SYSTEM NET REVENUES:	\$1,240,943	\$1,147,198	\$1,050,641	\$ 951,187	\$ 848,750
DEBT SERVICE:					
ARRA Loan	\$12,390	\$12,390	\$12,390	\$12,390	\$12,390
Davis Grunsky Loan	141,278	141,278	141,278	141,278	141,278
I-Bank Loan	69,848	69,671	68,756	68,028	67,997
2021 Water Revenue Installment Payments ⁴	<u>18,867</u>	<u>243,300</u>	<u>245,200</u>	<u>242,000</u>	<u>243,700</u>
Total Debt Service	<u>\$242,383</u>	<u>\$466,639</u>	<u>\$467,624</u>	<u>\$463,697</u>	<u>\$465,366</u>
DEBT SERVICE COVERAGE³	5.12x	2.46x	2.25x	2.05x	1.82x

*Source: Budget for Fiscal Year Ending June 30, 2022.

1. Projections assume 0% growth in revenue and no State grants and 3% growth in operating expenses

2. Excludes State Grants Received in Fiscal Year ended June 30, 2022 of \$1,599,500.

3. Projections reflect no rate increase from 2023-2026.

4. Preliminary; subject to change.

THE WASTEWATER SYSTEM

Overview

In 1978, the District worked with the County to form an assessment district to fund the construction of a sewer collection system for a four-thousand-acre area running from McCluski Hill on the south to Airport Road on the north. Initially, the District collected wastewater from 1,600 customers and pumped it to Arcata, California for treatment. In 1983, the District secured grant funding and a low interest loan to construct the District's own treatment facility for wastewater treatment (the "Wastewater Management Facility"). The Wastewater System collects wastewater throughout the service area, which is primarily residential and as of October 22, 2021 provided approximately 6,600 wastewater connections all of which are treated at the Wastewater Management Facility.

The District maintains approximately 73 miles of sewer mains, five sewer lift stations and treats and recycles an annual flow of just over 1 MG. The recycled wastewater is used for agricultural irrigation at the Fischer and Pialorsi Irrigation Sites. With a major upgrade of the Wastewater Management Facility completed in 2019, the District is committed to maintaining its sewage collection, treatment and disposal systems as a model for other communities. The upgrade is detailed below and was designed to allow for treatment of projected flows through 2030.

The Wastewater System sets uniform requirements for the discharge into the wastewater collection and treatment system and enables the District to comply with the administrative provisions of the Clean Water Grant Regulations, the water quality requirements set by the Regional Water Quality Control Board and the applicable effluent limitations, national standards of performance, toxic and pre-treatment effluent standards and other discharge criteria which are required or authorized by State or Federal law and to derive the maximum public benefit by regulating the quality and quantity of the wastewater discharge. The District meets or exceeds all permit requirements established in its existing National Pollution Discharge Elimination System. The permit was adopted on November 1, 2018 and is anticipated to be renewed by November 1, 2023.

Wastewater Management Facility

The District's Wastewater Management Facility is located on a 68.4 acre parcel, with approximately 34 acres presently being used for the treatment facilities, an 18-acre wooded buffer, and 16 acre open parcel to the south. In addition, there is a public access nature trail contained within the wooded buffer zone that is 1.5 miles long.

Treated wastewater is discharged to the Mad River during winter months when the river flow rate surpasses 200 cfs (cubic feet per second). During summer months (May 15 through September 30) and low flow periods of the Mad River, treated wastewater is discharged into two percolation ponds located adjacent to the river and is irrigated on dairy pastures in southwest McKinleyville. The irrigated areas include 80 acres of the Fischer Irrigation Site (at the corner of Fischer Road and School Road) and 93 acres at the East and West Pialorsi Ranch site (east and west of Fischer Road).

Wastewater System Rates and Charges

General. The District's rates and charges are established by the Board and are not subject to review or approval by any other agency. The District's rates and are adopted consistent with Proposition 218 and all other applicable law. See "CERTAIN RISK FACTORS FOR THE CERTIFICATES—Articles XIIC and XIID of the California Constitution" herein for a discussion of the treatment of the District's rates and charges in light of Proposition 218, Proposition 26 and other applicable law.

2018 Rate Study. In 2018, the District commissioned Willdan Financial Services to prepare a rate study for the Wastewater System. The rate study was provided in September 2018, and recommended rates for the Wastewater System to provide adequate funding through Fiscal Year 2022–23.

Current and Projected Sewer Service Rates. Each connection to the Wastewater System pays a monthly fixed fee and a variable rate based upon volume of water consumed. No residential customer is charged for in excess of 12 HCF of water consumption in a month, regardless of the actual amount of water consumed.

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The current rates adopted by the Board for the Wastewater System, which include annual rate increases effective through July 1, 2026, are set forth in the following table

TABLE IX
McKinleyville Community Services District
Current and Projected Monthly Sewer Service Rates
(fiscal years 2020–21 through 2025–26)

Effective date:	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025	7/1/2026
Monthly Base Charge						
All Customers	\$34.59	\$35.63	\$37.27	\$38.98	\$40.77	\$42.65
Volumetric Per 100 CF						
For Single-Family Dwelling Equivalent	\$2.89	\$2.98	\$3.12	\$3.26	\$3.41	\$3.57

Source: McKinleyville Community Services District

Connection Fees. New development in the District’s service area that connects to the Wastewater System is responsible for water and wastewater connection charges. The connection charge is based upon what the share of the cost of said sewer main and facilities of the connecting property would have been had it been assessed in said proceedings, using the same formula as used in the assessment district for determining the assessment.

The following table set forth the comparison of Wastewater System rates to other neighboring utility systems.

Wastewater System
Rate Comparison With Neighboring Utility Systems

Utility System ²	Wastewater Rates ¹
City of Eureka	\$97.72
City of Arcata	96.03
Crescent City	72.21
Humboldt CSD	71.01
City of Redding	59.33
McKinleyville CSD	56.12
Manila CSD	44.13
City of Red Bluff	34.00

¹ Assumes an inside-City single-family residential customer with a 5/8 x 3/4-inch water meter using 6,000 gallons of combined service per month.

² Based on rate information reported by the respective utility systems or as provided by the South Carolina Budget and Control Board, Office of Local Government.

Source: McKinleyville Community Services District.

Collection Procedures

The District bills each customer for wastewater service on the same bill as for the Water System. In the event of collecting delinquencies, the District may provide for the collection of all such delinquent charges that have not been paid and collected at the time of establishing its tax rate, upon the tax rule which District taxes are collected and in the same manner provided by law therefore. See “THE DISTRICT—Billing and Collection Procedures,” above, for more details.

Historic Delinquent Collections

Table X shows the District’s delinquent collections for the Wastewater System for Fiscal Year ended 2015 through 2021 (unaudited).

TABLE X
McKinleyville Community Services District
Wastewater System Delinquent Collections
(Fiscal Year 2012–22)

Fiscal Year (as of June 30)	Delinquent Collections	Percentage of Wastewater Sales
2015	\$ 4,765	0.23%
2016	5,892	0.23
2017	5,593	0.18
2018	5,291	0.16
2019	4,573	0.12
2020	12,300	0.33
2021 ¹	16,956	0.43

¹ Unaudited

Source: McKinleyville Community Services District.

Historic Wastewater Sales Revenues

Table XI shows the District’s annual Water System Gross Revenues for the six most recent Fiscal Years, excerpted from the District’s audited financial statements.

[DISTRICT PLS UPDATE TABLE BELOW]

TABLE XI
McKinleyville Community Services District
Wastewater System Historic Wastewater Sales Gross Revenues
(as of June 30)

Fiscal Year (Ended June 30)	Wastewater Revenue	% Change
2017	\$	
2018		
2019		
2020		
2021*		

* Unaudited.

Source: McKinleyville Community Services District

Service Connections

The following table shows the number of connections to the Wastewater System for the most recent five years.

**TABLE XII
McKinleyville Community Services District
Wastewater System
Wastewater Connections**

Fiscal Year Ending June 30	Connections
2017	5,470
2018	5,535
2019	5,484
2020	5,529
2021	5,553

Source: McKinleyville Community Services District
SFD Eq. = Single-Family Dwelling Equivalent

Principal Customers

The District’s wastewater customer base is comprised of approximately 6,363 residential customers and approximately 238 non-residential customers. Most customers pay similar bill amounts. The following tables show the top ten wastewater customers by amounts charged for Fiscal Year 2020-21.

**TABLE XIII
McKinleyville Community Services District
Wastewater System
Ten Largest Customers**

Customer	Customer Class	Annual Charge Fiscal Year 2020- 2021	Percent of Total¹
CUSTOMER NO. 1	RESIDENTIAL	\$48,191.31	1.15%
CUSTOMER NO. 2	COMMERCIAL	33,881.99	0.81
CUSTOMER NO. 3	RESIDENTIAL	22,868.98	0.55
CUSTOMER NO. 4	RESIDENTIAL	21,298.03	0.50
CUSTOMER NO. 5	COMMERCIAL	18,823.02	0.45
CUSTOMER NO. 6	RESIDENTIAL	15,679.46	0.37
CUSTOMER NO. 7	RESIDENTIAL	14,918.70	0.35
CUSTOMER NO. 8	RESIDENTIAL	13,783.90	0.35
CUSTOMER NO. 9	RESIDENTIAL	13,696.94	0.33
CUSTOMER NO. 10	RESIDENTIAL	<u>12,036.00</u>	<u>0.28</u>
TOTALS		\$215,178.33	5.14%

¹Based on total Fiscal Year 2020–21 wastewater revenues of approximately \$4,180,674.
Source: McKinleyville Community Services District

Outstanding Wastewater System Indebtedness

USDA Revenue Bonds. In 1982, the District issued the 1982 Sewer Revenue Bonds which were purchased by the Rural Development Division of the United States Department of Agriculture. Proceeds of the bonds were used to construct the District's wastewater system improvements. The bond amount totaled \$1,575,000 and bears an interest rate of 5.000% per annum. Semi-annual payments of principal and interest are due August and February of each year through August 2022, when the bond matures. The bond is payable from Wastewater System Net Revenues.

State Revolving Fund Loans No. 3. In 2015, the District entered into a loan agreement with the State Water Resources Control Board for the purpose of financing a wastewater management facility improvement project. The loan amount totaled \$15,569,506 and bears an interest rate of 1.60% per annum. Annual payment of principal and interest are due September of each year and continues through September 2048. The District is subject to levy taxes and assessments to repay the loan should it not have sufficient resources to make the scheduled payments.

Pialorsi Property Loan. On March 2020, the District entered into a loan agreement with JPMorgan Chase Bank, NA for the purpose of financing the acquisition of property to expand the District's ability to recycle reclaimed wastewater. The loan amount totaled \$1,508,500 and bears an interest rate of 1.90% per annum. Semiannual payments of principal and interest are payable from Wastewater System Net Revenues due March 8 and September 8 of each year and continues through March 8, 2035.

Capital Improvement Plan

The District is continually making improvements to the Wastewater System to maintain operations, accommodate new connections, and maintain compliance with all currently known federal and State mandates. In addition, the District has been progressing its plans related to improvements and replacement of infrastructure through its CIP and Master Planning efforts.

Master Planning. The District completed a 20-year Wastewater Facilities Plan in January 2012 (the "Wastewater Facilities Plan"). The Wastewater Facilities Plan identified a series of upgrades to the District's existing Wastewater treatment plant including portion of the effluent disposal system. The improvements will address the needs for the facility through the year 2030.

The District's Wastewater Facilities Plan finalized in January 2012, presented several treatment alternatives and recommended replacing the existing facultative lagoon system with an in-basin extended aeration system. The design for the extended aeration system and other systems was completed in 2015 and construction was completed in 2019. The major improvements include a new headworks facility; aeration basins; a blower/electrical/maintenance building; two new secondary clarifiers, including return activated sludge/waste activated sludge (RAS/WAS) pumping; and a biosolids storage basin. The treatment plant is designed to handle an average dry weather flow of 1.53 MGD and a Peak Daily flow of 3.08 MGD, which should be more than sufficient to handle District growth through 2030.

The District is also in the process of completing a master planning effort for the wastewater collection system. District maintains approximately 73 miles of sewer mains (including 1.7 miles of force mains) that convey water to the Wastewater Management Facility. The District also operates and maintains five sewer lift stations (Fischer Rd, B St, Letz Ln, Kelly Ave, and Hiller Rd lift stations). The Wastewater System was installed in 1978 and the master planning effort is geared toward the assessment of the existing system pipes and pump stations, identifying areas of near-term concern, and plan for the replacement of the identified sections of the sewer collection mains and pump stations. The initial assessment phases, Phase 1 & 2 of the master plan have been completed. The final Phase 3 master plan containing all the prioritization

and final recommendations is due to be completed in early 2022. The District has begun putting away funds dedicated to the sewer upgrades starting in 2019. The sewer main replacements in Central Avenue were identified as a priority in Phase 1 of the master planning effort.

Current CIP. The District anticipates funding the Wastewater System CIP through connection fees received for new connections to the Wastewater System and through Wastewater System revenues.

The following are major Wastewater System improvements anticipated over the next 10 years. A wastewater master plan is currently being developed for the District and such plan may identify additional improvements needed for the District's Wastewater System.

Proposed Improvement	Estimated Cost
Replacement of Highway Sewer Crossings	\$8,800,000
Central Ave. Sewer Main Replacement	2,000,000
Alternative Disinfection Study	300,000
Sludge Disposal	240,000/year
B-Street Lift Station Upgrade	600,000
Fischer Lift Station Upgrade	1,000,000

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Wastewater System Historical Debt Service Coverage

The following table shows revenues, expenses and debt service coverage for the Wastewater System for the prior four fiscal years, based on the District's audited financial statements for 2016-17 through 2019-20 and unaudited for 2020-21.

	Audited 2016-17	Audited 2017-18	Audited 2018-19	Audited 2019-20	Unaudited 2020-21
OPERATING REVENUES:					
Wastewater System Revenues	\$3,055,922	\$3,324,146	\$3,699,858	\$3,686,262	\$3,969,885
Other Service Charges	95,339	95,929	82,951	88,614	117,849
Operating Grants ¹	0	66,089	3,335	183,216	1,234,405
Other Wastewater System Revenues	<u>25,175</u>	<u>111,139</u>	<u>193,427</u>	<u>247,637</u>	<u>377,091</u>
Total Wastewater System Revenues	<u>\$3,176,436</u>	<u>\$3,597,303</u>	<u>\$3,979,571</u>	<u>\$4,205,729</u>	<u>\$5,699,230</u>
OPERATING EXPENSES¹					
Salaries and Related Expenses	\$491,572	\$563,219	\$571,062	\$569,025	\$768,743
Employee Benefits	498,870	680,783	642,322	746,866	819,545
Other Operating Expenses	<u>494,883</u>	<u>624,948</u>	<u>590,865</u>	<u>584,633</u>	<u>561,108</u>
Total Operating Expenses	<u>\$1,485,325</u>	<u>\$1,868,950</u>	<u>\$1,804,249</u>	<u>\$1,900,524</u>	<u>\$2,149,396</u>
WASTEWATER SYSTEM NET REVENUES:	<u>\$1,691,111</u>	<u>\$1,728,353</u>	<u>\$2,175,322</u>	<u>\$2,305,205</u>	<u>\$3,549,834</u>
DEBT SERVICE:					
Umpqua Bank Loan	\$55,734	\$27,624	\$0	\$0	\$0
State Revolving Fund Loan #2 (1998)	27,906	27,882	0	0	0
USDA Revenue Bonds (1982)	95,750	92,250	87,000	93,250	89,250
State Revolving Fund Loan #3 (2015)	0	0	435,807	663,032	663,032
2020 Installment Sale Agreement	0	0	0	0	110,553
2021 Wastewater Revenue Installment Payments ²	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Service	<u>\$179,390</u>	<u>\$147,756</u>	<u>\$522,807</u>	<u>\$756,282</u>	<u>\$862,835</u>
DEBT SERVICE COVERAGE	9.43x	11.70x	4.16x	3.05x	4.11x

Source: District Audited Financial Statements for fiscal years 2016-17 through 2019-20. The District for unaudited fiscal year 2020-21 figures.

1. Excludes Operating Grants received in FY 2018 of \$66,089, FY 2019 of \$3,335, FY 2020 of \$183,216, and FY 2021 of \$1,234,405.

2. Preliminary; subject to change.

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Wastewater System Projected Debt Service Coverage

The following table shows revenues, expenses and debt service coverage for the Wastewater System projected for the next four years.

	Budgeted ¹ 2021–22	Projected ² 2022–23	Projected ² 2023–24	Projected ² 2024–25	Projected ² 2025–26
OPERATING REVENUES:					
Wastewater Service Revenues	\$4,181,750	\$4,181,750	\$4,181,750	\$4,181,750	\$4,181,750
Other Service Charges	104,369	104,369	104,369	104,369	104,369
Operating Grants ³	1,911,750	0	0	0	0
Other Wastewater System Revenues	<u>129,000</u>	<u>129,000</u>	<u>129,000</u>	<u>129,000</u>	<u>129,000</u>
Total Wastewater System Revenues	<u>\$6,326,869</u>	<u>\$4,415,119</u>	<u>\$4,415,119</u>	<u>\$4,415,119</u>	<u>\$4,415,119</u>
OPERATING EXPENSES²					
Salaries and Related Expenses	\$625,379	\$644,140	\$663,465	\$683,369	\$703,870
Employee Benefits	794,775	818,618	843,177	868,472	894,526
Other Operating Expenses	823,598	848,306	873,755	899,968	926,967
Total Operating Expenses	<u>\$2,243,752</u>	<u>\$2,311,065</u>	<u>\$2,380,396</u>	<u>\$2,451,808</u>	<u>\$2,525,363</u>
WASTEWATER SYSTEM NET REVENUES:	<u>\$4,083,117</u>	<u>\$2,104,054</u>	<u>\$2,034,723</u>	<u>\$1,963,311</u>	<u>\$1,889,756</u>
DEBT SERVICE:					
Umpqua Bank Loan	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
State Revolving Fund Loan #2 (1998)	0	0	0	0	0
USDA Revenue Bonds (1982)	12,390	12,390	12,390	12,390	12,390
State Revolving Fund Loan #3 (2015)	141,278	141,278	141,278	141,278	141,278
2020 Installment Sale Agreement	68,116	68,087	68,058	68,028	67,997
2021 Wastewater Revenue Installment Payments ⁴	<u>18,867</u>	<u>243,300</u>	<u>245,200</u>	<u>242,000</u>	<u>243,700</u>
Total Debt Service	<u>\$240,650</u>	<u>\$465,056</u>	<u>\$466,927</u>	<u>\$463,697</u>	<u>\$465,366</u>
DEBT SERVICE COVERAGE	16.97x	4.52x	4.36x	4.23x	4.06x

1. Source: Budget for Fiscal Year Ending June 30, 2022.

2. Projections assume 0% growth in revenues and no State grants, and 3% growth in operating expenses.

3. Excludes Operating Grants projected to be received in the Fiscal Year ending June 30, 2022 amount in FY 2022 of \$1,911,750.

4. Preliminary; subject to change.

CERTAIN RISK FACTORS FOR THE CERTIFICATES

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Certificates. The discussion below does not purport to be, nor should it be construed to be, complete nor a summary of all factors which may affect the financial condition of the District, the District's ability to make the Installment Payments in the future or the effectiveness of any remedies that the Trustee may have. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

No representation is made as to the future financial condition of the District. The ability of the District to make the Installment Payments may be adversely affected by its financial condition as of any particular time.

Decreased Demand and Revenues

There can be no assurance that the local demand for water and wastewater service provided by the applicable system, 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 Water System Net Revenues or Wastewater System Net Revenues, respective, sufficient to comply with the District's rate covenant in the respective Installment Purchase Contracts. Such rate increases could increase the likelihood of nonpayment under the respective Installment Purchase Contracts, and could also further decrease demand. Demand for

water services could be reduced as a result of hydrological conditions, conservation efforts (including in response to drought), an economic downturn (including as a result of the COVID-19 pandemic). Furthermore, there can be no assurance that any other entity with regulatory authority over the respective systems will not adopt further restrictions on operation of the respective systems.

Increased Expenses and Costs

There can be no assurance that Maintenance and Operation Costs of the Water System or Wastewater System will be consistent with the levels described in this Official Statement. Changes in technology, increases in the cost of energy or other expenses would reduce Water System Net Revenues and Wastewater System Net Revenues, respectively, and could require substantial increases in rates or charges in order to comply with the rate covenant in the respective Installment Purchase Contracts. Such rate increases could increase the likelihood of nonpayment under the respective Installment Purchase Contracts and could also decrease demand for the services provided by each system. In addition, each of the Water System and the Wastewater System is subject to significant regulatory provisions, and costs associated with complying with federal and State requirements may materially increase Maintenance and Operation Costs in the future.

Future Parity Obligations

Although the District has covenanted in the respective Installment Purchase Contracts not to issue additional obligations payable from respective Water System Net Revenues or Wastewater System Net Revenues senior to the respective Certificates, the Installment Purchase Contracts permit the issuance by the District of certain indebtedness which may have a lien upon the Water System Net Revenues or Wastewater System Net Revenues, respectively which iare on a parity basis to the lien which secures the respective Certificates, if certain coverage tests are met (see “SECURITY FOR THE CERTIFICATES – Parity Obligations” herein). These coverage tests involve, to some extent, projections of Net Revenues. If such indebtedness is issued, the debt service coverage for the Certificates will be diluted below what it otherwise would be subject to under the coverage tests. Moreover, there is no assurance that the assumptions which 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 respective Net Revenues may be less than projected, and the actual amount of respective Net Revenues may be insufficient to provide for the payment of principal of and interest with respect to the respective series of Certificates, and such additional Parity Obligations of the respective systems.

Articles XIIC and XIID of the California Constitution

General. On November 5, 1996, California voters approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIIC and XIID to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, changed, among other things, the procedure for the imposition of any new or increased property-related “fee” or “charge,” which is 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” (and referred to in this section as a “property-related fee or charge”).

On November 2, 2010, California voters approved Proposition 26, the so-called “Supermajority Vote to Pass New Taxes and Fees Act.” Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIIC and XIID of the California Constitution.

and XIIC of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature.

With respect to local government “taxes,” Proposition 26 expressly excludes a variety of levies, charges and exactions from the definition of “tax,” including a “charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.”

Proposition 26 amended Article XIIC to provide that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

Property-Related Fees and Charges. Under Article XIID, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIID, revenues derived from a property-related fee or charge may not exceed the funds required to provide the “property-related service” and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related 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.

Initiative Power. In addition, Article XIIC states that “the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives.”

Judicial Interpretation of Articles XIIC and XIID. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General’s opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not be subject to the requirements of Article XIID regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three subsequent cases have held that certain types of water and wastewater charges could be subject to the requirements of Article XIID under certain circumstances.

In *Richmond v. Shasta Community Services District*, (2004) 32 Cal. 4th 409, the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIID to certain charges related to water service. In *Richmond*, the Court held that capacity charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIID.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (2005) 127 Cal.App.4th 914, the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIID before imposing or increasing such fees. The California Supreme Court denied the District of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

In July 2006, the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (2006) 39 Cal.4th 205, addressed the validity of a local voter initiative measure that would have (a) reduced a water agency's rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIID, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIIC's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIC and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was not determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

Current Practice Regarding Rates and Charges. The District's practice in implementing increases in water and wastewater rates and charges has been to comply with the requirements of Article XIID, including the practice of providing property owners with a 45-day mailed notice and public hearing before the District Board approves rate increases.

Conclusion. It is not possible to predict how courts will further interpret Article XIIC and Article XIID in future judicial decisions, and what, if any, further implementing legislation will be enacted. Under the *Bighorn* case, local voters could adopt an initiative measure that reduces or repeals the District's rates and charges, though it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness, as is the case with respect to the Certificates ***There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIIC and Article XIID to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for wastewater or water, or to call into question previously adopted rate increases described in this Official Statement.***

Limited Recourse on Default

If the District defaults on its obligation to pay principal of and interest with respect to the Certificates, the Trustee has the right to accelerate the total unpaid principal amounts of such Certificates. However, in the event of a default and such acceleration there can be no assurance that the District will have sufficient Water System Net Revenues or Wastewater System Net Revenues, respectively, to pay the accelerated debt service on the Certificates.

Limitations on Remedies Available; Bankruptcy

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

Statutory and Regulatory Impact

Laws and regulations governing the operations of the Water System and Wastewater System are enacted and promulgated by government agencies on the federal, State and local levels. Compliance with these laws and regulations may be costly and, as more stringent standards are developed, these costs will likely increase. In addition, claims against the District for violations of regulations with respect to its facilities and services could be significant. Such claims are payable from Revenues or from other legally available sources.

In addition, the District is subject to various other laws and regulations that could adversely impact Water System Net Revenues or Wastewater System Net Revenues, respectively of the respective systems. For example, SB 998, enacted in 2018, will impose certain restrictions on the District's ability to turn off water connections to customers for non-payment of water charges. Because the District bills customers for water and sewer services on the same bill, restrictions on the ability of the District to turn off water connections may increase delinquencies for both the District's Water System and the Wastewater System in the future.

Although the District has covenanted to fix, prescribe and collect rates and charges for the Water System and Wastewater System during each Fiscal Year sufficient to yield the debt service coverage required by the applicable Installment Purchase Contract, no assurance can be given that the cost of compliance with such laws and regulations will not materially adversely affect the ability of the District to generate Water System Net Revenues or Wastewater System Net Revenues, respectively, in the amounts required by the respective Installment Purchase Contracts and to pay debt service on the applicable series of Certificates.

Greenhouse Gas Emissions

The Governor signed Assembly Bill 32, the Global Warming Solutions Act of 2006 (the "GWSA"), which became effective as law on January 1, 2007. The GWSA prescribed a statewide cap on global warming pollution with a goal of reaching 1990 greenhouse gas ("GHG") emission levels by 2020 and a reduction to 80% below 1990 levels by 2050. In addition, the GWSA establishes a mandatory reporting program to the California Air Resources Board ("CARB") for significant GHG emissions and requires the CARB to adopt regulations for significant greenhouse gas emission sources (allowing CARB to design a cap and trade program) and gave CARB the authority to enforce such regulations beginning in 2012.

On April 2, 2007, the U.S. Supreme Court ruled that GHGs qualify as air pollutants under the Clean Air Act. While the rule was specific to the authority of the U.S. Environmental Protection Agency to

regulate emissions from new motor vehicles, it may also impact federal and statewide regulation regarding GHG emissions from other sources, including publicly-owned treatment works, such as those owned by the District.

The District believes that it is in material compliance with all federal, state and local emissions regulations.

Natural Calamities; Drought

From time to time, the District is subject to natural calamities, including, but not limited to, earthquake, flood, fire and drought, that may adversely affect economic activity in the District, and which could have a negative impact on the Net Revenues of the Wastewater System and/or the Water System. There can be no assurance that the occurrence of any natural calamity would not cause substantial interference to the Water System, the Wastewater System and the Net Revenues or either system. See also “–Climate Change” below.

Drought. California recently emerged from six years of drought (2011 - 2017), resulting in severe impacts to California’s water supplies and its ability to meet all the demands for water in the State. Beginning on January 17, 2014, the Governor issued a number of executive orders regarding a drought state of emergency. In response to these orders, the State Water Resources Control Board (“SWRCB”) issued and revised emergency regulations mandating water conservation efforts by the District and other water agencies throughout the State. This resulted in decreased revenues for the Enterprise. On May 9, 2016, Governor Brown issued Executive Order B-37-16, which called for extending the emergency regulations through January 2017 and authorizing the SWRCB to make further changes based upon lessons learned from the drought response to date. The SWRCB revised the mandatory emergency water conservation regulations at its February 18, 2016 meeting. The revised regulations allowed water supply agencies to review their own supply and demand under drought conditions and certify that they have adequate supply to adopt a conservation standard equal to any projected shortfall. An official end to the drought was declared thereafter.

On April 21, 2021, the Governor 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 (including the County) and requested that all water users voluntarily reduce water use by 15%. The District does not believe its water sources have been materially impacted to-date by this latest drought and that the District and ID4 have significant access to water storage and banking systems to mitigate water supply access caused by drought; however, the District cannot predict what effect ongoing drought conditions, or future drought conditions, may have on the revenues and operations of the Water System and/or Wastewater System.

Seismic. Areas throughout the State, including the areas around the District, are subject to seismic events from time-to-time. If a seismic event were to occur in or around the District, the facilities of the respective systems could be damaged, which damage could result in decreased revenues and/or increased costs. In addition, the customers of the respective systems could be adversely impacted, resulting in lowered revenues.

Wildfire. In recent years, much of the State has suffered from wildfires due to dry conditions and other factors. Even in places not directly impacted by fire, adverse impacts have been felt due to wildfire smoke. No assurance can be given that future wildfires will not have adverse impacts on the District and its operations.

COVID-19 Pandemic

The ongoing COVID-19 coronavirus pandemic, and responses intended to slow its spread, may result in material adverse impacts to the District and its finances. There can be no assurances that the spread of the virus and the related shelter in place orders and social distancing requirements imposed by the State of California, or other State or local mandates and/or other responses intended to slow its spread will not materially adversely impact the revenues received by the respective systems, particularly connection fees and other amounts tied to economic activity in the service area.

The District has been monitoring the COVID-19 pandemic and taken appropriate responses to ensure the safety of its staff and customers. To date, the respective systems has not experienced a material adverse impact from COVID-19.

The District cannot predict (i) the duration or ultimate extent of the COVID-19 pandemic; (ii) to what extent the COVID-19 pandemic may affect the operations and revenues of the District in the future; (iii) to what extent the COVID-19 pandemic may ultimately disrupt the local, State, national or global economy, manufacturing or supply chain, or whether any such disruption will adversely impact the cost, sources of funds, schedule or implementation of any capital improvements, or other System operations; (iv) to what extent the District may desire to, or need to, provide customer assistance measures or deferrals, forbearances, adjustments or other changes to its customers or its billing and collection procedures; or (v) whether any of the foregoing may have a material adverse effect on the finances and operations of the respective systems. Prospective investors should consider that the restrictions and limitations instituted related to COVID-19 may increase (even after they are decreased), and the upheaval to the national and global economies may continue and/or be exacerbated, at least over the near term, and the recovery may be prolonged, and therefore, COVID-19 may adversely impact respective systems revenues.

The spread of COVID-19 is having significant negative impacts throughout the world, including in California. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the United States, the State, and numerous counties throughout the State, including the County. The purposes behind these declarations are to coordinate and formalize emergency actions and across federal, state and local governmental agencies, and to proactively prepare for a wider spread of the virus.

Climate Change

Net Revenues may be negatively impacted by impacts resulting from climate change. Local impacts of climate change are not definitive, but parcels in the District could experience changes to local and regional weather patterns; increased risk of flooding or drought; changes in groundwater levels; and other events which are beyond the control of the District.

Cybersecurity Risks

The District, like many other public and private entities relies on a complex technology environment to conduct its operations. As recipient and provider of personal, private, or sensitive information, the District is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the District's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. No assurances can be given that the District's efforts to manage cyber threats and attacks will be successful or that an such attack will not materially impact the operations or finances of the District or the respective systems.

No Obligation to Tax

The obligation of the District to pay the principal of and interest with respect to the Certificates does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to pay the principal of and interest with respect to the Certificates does not constitute a debt or indebtedness of the District, the County, the State of California or any of its political subdivisions in violation of any constitutional or statutory debt limitation or restriction and is not secured by a pledge of any revenues other than the Net Revenues of the respective systems, as described herein.

Change in Law

In addition to the other limitations described herein, the California electorate or Legislature could adopt a constitutional or legislative property tax decrease or an initiative with the effect of reducing revenues payable to or collected by the District. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could have the effect of reducing the Net Revenues of the respective systems, and adversely affecting the security of the Certificates.

Loss of Tax Exemption

As discussed in this Official Statement under the caption "TAX MATTERS," interest with respect to the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date the Certificates were executed and delivered, as a result of future acts or omissions of the District in violation of its covenants in the Installment Purchase Contracts and Trust Agreements. Should such an event of taxability occur, the Certificates are not subject to a special prepayment and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Installment Purchase Contracts or Trust Agreements.

LITIGATION

There is no action, suit or proceeding known to be now pending or threatened against the Corporation or the District restraining or enjoining the sale, execution or delivery of the Certificates, the Installment Purchase Contracts, or in any way contesting or affecting the validity of the foregoing or any proceedings of the Corporation or the District taken with respect to any of the foregoing or the operations of the Water System and Wastewater System, respectively.

THE CORPORATION

The Corporation was incorporated under the Nonprofit Public Benefit Corporation Law of the State of California. The Corporation was organized as a nonprofit corporation for the purpose, among others, of assisting entities, such as the District, in the acquisition, construction and financing of public improvements which are determined to be of public benefit to such entities. The Corporation's articles of incorporation and bylaws empower it to participate in the financing of the Water System Project or the Wastewater System Project.

RATING

S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P") is anticipated to assign its municipal bond rating of "[___]" on the Water System Certificates based upon the expectation that the Certificate Insurer will issue its Water System Insurance Policy for the Water System Certificates

at the time of their execution and delivery. S&P has also assigned an underlying municipal bond rating of “[]” to the Water System Certificates.

S&P Global Ratings, a Standard & Poor’s Financial Services LLC business (“S&P”) is anticipated to assign its municipal bond rating of “[]” on the Wastewater System Certificates based upon the expectation that the Certificate Insurer will issue its Wastewater System Insurance Policy for the Wastewater System Certificates at the time of their execution and delivery. S&P has also assigned an underlying municipal bond rating of “[]” to the Wastewater System Certificates.

Such ratings reflects only the current views of S&P (which could change at any time), and an explanation of the significance of such ratings may be obtained from S&P. Generally, S&P bases its ratings on information and materials furnished to them and on investigations, studies and assumptions by S&P.

[INSURER]’s financial strength is rated “[RATING/(OUTLOOK)]” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of [INSURER] should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of [INSURER] and its ability to pay claims on its policies of insurance.

There is no assurance that the rating described above will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by such rating agencies, if in their judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

TAX EXEMPTION

General Matters. In the opinion of Kutak Rock LLP, Irvine, California, Special Counsel, under existing laws, regulations, rulings and judicial decisions, the portion of each Installment Payment designated as and representing interest and received by the Owners of the Certificates (the “Interest Portion”) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described above assumes the accuracy of certain representations and compliance by the District with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986 (the “Code”) that must be met subsequent to the issuance of the Certificates. Failure to comply with such requirements could cause the Interest Portion to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Certificates. The District has covenanted to comply with such requirements. Special Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Certificates.

The accrual or receipt of interest on the Certificates (including the Interest Portion) may otherwise affect the federal income tax liability of the owners of the Certificates. The extent of these other tax consequences will depend on such owners’ particular tax status and other items of income or deduction. Special Counsel has expressed no opinion regarding any such consequences. Purchasers of the Certificates, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Certificates.

Special Counsel is also of the opinion that the Interest Portion is exempt from State of California personal income taxes. Special Counsel has expressed no opinion regarding other tax consequences arising with respect to the Certificates under the laws of the State of California or any other state or jurisdiction.

A copy of the form of opinion of Special Counsel for each series of Certificates is attached hereto as Appendix B.

Original Issue Premium. The Certificates that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the “Premium Certificates”), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Certificate over its stated prepayment price at maturity constitutes premium on such Premium Certificate. A purchaser of a Premium Certificate must amortize any premium over such Premium Certificate’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Certificates callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest (including the Interest Portion) for the period, and the purchaser’s basis in such Premium Certificate is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Certificate prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Certificates should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Certificate.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Certificates is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Certificates that fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of the Interest Portion from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes in Federal and State Tax Law. From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading “TAX EXEMPTION” or adversely affect the market value of the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Certificates. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Certificates or the market value thereof would be impacted thereby. Purchasers of the Certificates should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Special Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Certificates, and Special Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE CERTIFICATES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE CERTIFICATES AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE CERTIFICATES.

APPROVAL OF LEGALITY

Legal matters incident to the execution and delivery of the Certificates are subject to the approving opinion of Kutak Rock LLP, Irvine, California, Special Counsel. A form of such opinion for the Certificates is attached hereto as Appendix B and copies of such opinion with respect to the Certificates will be available at the time of delivery of the Certificates. Certain matters will be passed upon for the District by its counsel, The Mitchell Law Firm, LLP, Bakersfield, California, District Counsel. Certain matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Underwriter's Counsel. Certain compensation of Special Counsel and Underwriter's Counsel is contingent upon the issuance of the Certificates.

The opinion of Special Counsel provides that, subject to the qualifications contained therein, the Trust Agreement and the Installment Purchase Contract, have been duly and validly authorized, executed and delivered by the Corporation and constitute the legally valid and binding obligations of the Corporation enforceable in accordance with their respective terms. Counsel for the District will deliver an opinion which provides that, subject to the qualifications contained therein, the District has the lawful authority to execute and deliver the Trust Agreement and the Installment Purchase Contract under the laws of the State of California and that such documents have been duly approved, executed and delivered by the District and constitute legal, valid and binding obligations of the District enforceable in accordance with their respective terms.

FORWARD-LOOKING STATEMENTS

When used in this Official Statement and in any continuing disclosure by the District, in the District's press releases and in oral statements made with the approval of an authorized officer of the District, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "intend," "expect" and similar expressions identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

CONTINUING DISCLOSURE OBLIGATION

The District will enter into an undertaking for the benefit of the Owners of the Certificates to provide certain financial information and operating data to certain information repositories annually and to provide notice to the Municipal Securities Rulemaking Board or to certain information repositories of certain events, all pursuant to the requirements of Section (b)(5)(i) of Rule 15c2-12, as amended (the "Rule"). See "APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein for a description of the District's continuing disclosure obligation. The District has not had a continuing disclosure undertaking pursuant to the Rule in the previous five years.

A failure by the District to comply with its undertaking will not constitute an Event of Default under the Trust Agreements or the Installment Purchase Contracts. Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the applicable Certificates in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Certificates and their market price. The Corporation is not responsible for the undertaking of the District.

UNDERWRITING

The Water System Certificates are being purchased by Oppenheimer & Co. Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Water System Certificates at a price equal to \$_____ (which represents the par amount of the Water System Certificates plus a net original issue premium of \$_____ minus an underwriting discount of \$_____). The purchase agreement relating to the Water System Certificates provides that the Underwriter will purchase all of the Water System Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said purchase agreements, the approval of certain legal matters by counsel and certain other conditions.

The Wastewater System Certificates are being purchased by the Underwriter. The Underwriter has agreed to purchase the Wastewater System Certificates at a price equal to \$_____ (which represents the par amount of the Wastewater System Certificates plus a net original issue premium of \$_____ minus an underwriting discount of \$_____). The purchase agreement relating to the Wastewater System Certificates provides that the Underwriter will purchase all of the Wastewater System Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said purchase agreements, the approval of certain legal matters by counsel and certain other conditions.

The Certificates may be offered and sold to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time.

MISCELLANEOUS

The foregoing summaries do not purport to be complete and are expressly made subject to the provisions of the documents, copies of which may be obtained from the Trustee, or during the period of the offering, the Underwriter.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement does not constitute an agreement between the Corporation, the District or the Underwriter and the purchasers or owners of any of the Certificates.

This Official Statement, and its distribution and use by the Underwriter, has been duly authorized and approved by the District.

MCKINLEYVILLE COMMUNITY SERVICES
DISTRICT

By: _____
Patrick Kaspari, P.E.
General Manager

APPENDIX A

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following are summaries of certain provisions of the Trust Agreements, Installment Purchase Contracts and Assignment Agreements. These summaries do not purport to be complete or definitive and are qualified in their entireties by reference to the full terms of such documents.

Terms defined in the Official Statement, but not herein, shall have the same meanings as set forth in the Official Statement when used herein. The following are definitions of certain terms used in the Trust Agreements, Installment Purchase Contracts and Assignment Agreements and this Official Statement:

[TO BE UPDATED AS TRANSACTION DOCUMENTS ARE FINALIZED]

APPENDIX B

FORM OF OPINION OF SPECIAL COUNSEL

[Closing Date]

McKinleyville Community Services District
1656 Sutter Road
McKinleyville, California 95519

Re: \$[_____] McKinleyville Community Services District Revenue Certificates of Participation Series 2021A (Water Project) \$[_____] McKinleyville Community Services District Revenue Certificates of Participation Series 2021B (Wastewater Project)]

Ladies and Gentlemen:

We have reviewed the Constitution and the laws of the State of California and certain proceedings taken by McKinleyville Community Services District (the “District”) in connection with the authorization, execution and delivery by the District of that certain Installment Purchase Contract, dated as of December 1, 2021 (the “Installment Purchase Contract”), by and between the District and the CSDA Finance Corporation (the “Corporation”). We have also reviewed that certain Trust Agreement, dated as of December 1, 2021 (the “Trust Agreement”), by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), the Corporation and the District. In rendering this opinion, we also have relied upon certain representations of fact and certifications made by the Corporation and the District, the initial purchaser of the Certificates (defined below) and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us. All capitalized terms used herein shall have the meaning given them in the Trust Agreement unless otherwise defined.

Pursuant to the Trust Agreement, the Trustee has agreed to execute and deliver the \$[_____] McKinleyville Community Services District Revenue Certificates of Participation, Series 2021A (Water Project) \$[_____] McKinleyville Community Services District Revenue Certificates of Participation Series 2021B (Wastewater Project)] (the “Certificates”) evidencing undivided proportionate interests of the owners of the Certificates in certain installment payments (the “Installment Payments”) to be made by the District pursuant to the Installment Purchase Contract. Pursuant to that certain Assignment Agreement, dated as of December 1, 2021 (the “Assignment Agreement”), the Corporation has assigned to the Trustee the Corporation’s right to receive Installment Payments from the District under the Installment Purchase Contract.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

1. The obligation of the District to pay Installment Payments in accordance with the terms of the Installment Purchase Contract is a valid and binding obligation payable from the funds of the District lawfully available therefore, except as the same may be limited by bankruptcy, insolvency, reorganization,

fraudulent conveyance, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against municipalities in the State of California. The obligation of the District to make Installment Payments under the Installment Purchase Contract does not constitute a debt of the District, the State of California or any political subdivision thereof within the meaning of any statutory or constitutional debt limitation or restriction and does not constitute a pledge of the faith and credit or taxing power of the District, the State of California or any political subdivision thereof.

2. The Installment Purchase Contract and the Trust Agreement have been duly authorized, executed and delivered by the District and constitute valid and legally binding agreements of the District enforceable against the District in accordance with their terms, except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against municipalities in the State of California, except that we express no opinion as to any provisions in the Installment Purchase Contract or the Trust Agreement with respect to indemnification, penalty, contribution, choice of law, choice of forum or waiver.

3. Under existing laws, regulations, rulings and judicial decisions, the portion of each Installment Payment designated as and representing interest and received by the owners of the Certificates (the "Interest Portion") is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence assume the accuracy of certain representations of the District and continuing compliance by the District with certain covenants designed to satisfy the requirements of the Internal Revenue Code of 1986 (the "Code") that must be met subsequent to the execution and delivery of the Installment Purchase Contract. Failure to comply with such requirements could cause the Interest Portion to be included in gross income for federal income tax purposes or could otherwise adversely affect such opinions retroactive to the date of execution and delivery of the Installment Purchase Contract. The District has covenanted to comply with such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Installment Purchase Contract and the Certificates.

4. We are further of the opinion that the Interest Portion is exempt from current State of California personal income taxes. We express no opinion regarding other tax consequences arising with respect to the Certificates under the laws of the State of California or any other state or jurisdiction.

Certain agreements, requirements and procedures contained or referred to in the Trust Agreement, the Tax Compliance Certificate executed by the District and other documents related to the Certificates may be changed and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect on the tax consequences on and after the date on which any such change occurs or action is taken or omitted upon advice or approval of counsel other than Kutak Rock LLP.

We have not made or undertaken to make an investigation of the state of title to any of the real property described in the Installment Purchase Contract, the Trust Agreement or the Assignment Agreement or of the accuracy or sufficiency of the description of such property contained therein, and we express no opinion with respect to such matters.

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

The opinions expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Certificates terminates on the date of their execution and delivery.

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

Respectfully submitted,

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT HUMBOLDT COUNTY

The economic and demographic data contained in this Appendix are the latest available, but are generally as of dates and for periods before the economic impact of the COVID-19 pandemic and the measures instituted to slow it. Accordingly, they are not necessarily indicative of the current financial condition or future economic prospects of the District, the County or the region.

General Information

Humboldt County (the “County”) is the largest and most populous of the north coast counties. The County was created from the western portion of Trinity County in 1853. The County’s name is derived from Humboldt Bay. Originally discovered in 1806 by a hunting party, the bay was not rediscovered until 1849 and then named in honor of the naturalist and explorer Baron Alexander Von Humboldt. The County’s 3,600 square miles are known for their rural beauty, roughly 80% of which is designated recreation areas and timber land. The County is home to the biggest and oldest redwood trees in the world. Natural resources also make the County a primary tourist destination. Popular sites include: Six Rivers National Forest, King Range National Conservation Area, Humboldt Redwoods State Park, Redwoods National Park, and Richardson Grove State Park.

Population

The County’s population at January 1, 2021, the most recent estimate, was 130,851 according to the State Department of Finance. The table below shows population estimates for certain cities within the County and for the County for the last five years.

**Humboldt County
Population Estimates
Calendar Years 2017 Through 2021 As of May 2021**

Area	2017	2018	2019	2020	2021
Arcata	18,161	18,187	18,169	17,891	16,909
Blue Lake	1,291	1,290	1,280	1,271	1,262
Eureka	27,132	27,015	26,731	26,582	26,113
Ferndale	1,385	1,384	1,373	1,376	1,368
Fortuna	12,064	12,105	12,010	12,006	11,926
Rio Dell	3,357	3,335	3,297	3,270	3,299
Trinidad	<u>357</u>	<u>353</u>	<u>348</u>	<u>345</u>	<u>342</u>
Balance Of County	71,702	71,263	70,509	70,083	69,632
Incorporated	<u>63,747</u>	<u>63,669</u>	<u>63,208</u>	<u>62,741</u>	<u>61,219</u>
County Total	<u>135,449</u>	<u>134,932</u>	<u>133,717</u>	<u>132,824</u>	<u>130,851</u>

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2021, with 2010 Census Benchmark. Sacramento, California, May 2021.

Employment and Industry

The table below provides information about employment rates and employment by industry type for the County for calendar years 2017 through August 2021.

Humboldt County Annual Averages of Civilian Labor Force, Employment and Unemployment and Employment by Industry Calendar Years 2017 Through 2021

	2017	2018	2019	2020	2021 ¹
Civilian Labor Force	62,500	62,500	62,100	59,400	59,900
Civilian Employment	59,900	60,300	59,800	54,400	56,200
Civilian Unemployment	2,600	2,300	2,300	5,000	3,700
Civilian Unemployment Rate	4.2%	3.6%	3.7%	8.4%	6.1%
Total, All Industries	50,700	51,400	51,900	47,700	48,700
Total Farm	900	900	1,000	1,200	1,200
Total Nonfarm	49,800	50,500	50,800	46,500	47,500
Total Private	35,500	36,200	36,400	33,100	34,900
Goods Producing	4,400	4,600	4,700	4,600	5,300
Mining, Logging, and Construction	2,300	2,500	2,600	2,500	3,000
Mining and Logging	400	400	400	400	500
Construction	2,000	2,100	2,200	2,200	2,500
Manufacturing	2,000	2,100	2,200	2,100	2,300
Durable Goods	1,000	1,100	1,100	1,100	1,100
Nondurable Goods	1,000	1,100	1,100	1,000	1,100
Service Providing	45,500	45,900	46,100	41,900	42,200
Private Service Providing	31,100	31,600	31,600	28,500	29,700
Trade, Transportation & Utilities	9,600	9,400	9,300	8,700	8,800
Wholesale Trade	1,000	1,100	1,100	1,100	1,100
Retail Trade	7,500	7,200	7,200	6,500	6,600
Transportation, Warehousing & Utilities	1,200	1,100	1,000	1,000	1,100
Information	400	400	400	300	300
Financial Activities	1,700	1,800	1,800	1,700	1,700
Professional & Business Services	2,900	3,300	3,600	3,400	3,700
Educational & Health Services	8,800	8,900	8,900	8,300	8,400
Leisure & Hospitality	5,800	5,800	5,600	4,300	4,700
Other Services	1,900	2,000	2,000	1,900	2,100
Government	14,300	14,400	14,500	13,400	12,600
Federal Government	800	700	800	800	900
State & Local Government	13,500	13,600	13,700	12,600	11,700
State Government	3,400	3,500	3,500	3,300	2,800
State Government Education	2,200	2,200	2,200	2,000	1,300
State Government Excluding Education	1,300	1,300	1,400	1,400	1,500
Local Government	10,100	10,200	10,200	9,200	8,900

¹ Estimates through August 31, 2021.

² Civilian labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

² Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

³ Totals may not add due to rounding.

Source: Labor Market Information division of the California Employment Development Department

Largest Employers

The table below lists the major employers in the County as of October 2021, listed alphabetically.

Humboldt County Major Employers As of March 2021

Employer Name	Location	Industry
Bettendorf Trucking	Arcata	Trucking
Blue Lake Casino & Hotel	Blue Lake	Casinos
Costco Wholesale	Eureka	Wholesale Clubs
County of Humboldt	Eureka	Government Offices-County
Danco Property Management	Arcata	Construction Companies
Eureka City Clerk	Eureka	Government Offices-City/Village & Twp
Eureka High School	Eureka	Schools
Hospice of Humboldt	Eureka	Health Services
Humboldt County Dept-Health	Eureka	Clinics
Humboldt County Mental Health	Eureka	Hospitals
Humboldt County Sheriff Dept	Eureka	Government Offices-County
Humboldt County Social Svc	Eureka	Government Offices-County
Mad River Community Hospital	Arcata	Hospitals
Newmarket International Inc	Eureka	Hospitality Training
North Coast Co-op Arcata	Arcata	Grocers-Wholesale
Pacific Seafood Co	Eureka	Prepared Fish & Seafood Products (mfrs)
Redwood Memorial Hospital	Fortuna	Hospitals
Schmidbauer Lumber Inc.	Eureka	Loggins Manufactures
St Joseph Hospital Eureka	Eureka	Hospitals
St Joseph Hospital-Admin	Eureka	Health Services
Sun Valley Group	Arcata	Greenhouses
Target	Eureka	Department Stores
Umpqua Bank	Eureka	Banks
US Post Office	Eureka	Post Offices
Winco Foods	Eureka	Grocers-Retail

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMS) Employer Database, 2022 1st Edition

Commercial Activity

The following table summarizes the annual volume of taxable sales within the County from 2016 through the fourth quarter of 2020.

Humboldt County Taxable Sales (in thousands of dollars) ¹					
	2016	2017	2018	2019	2020 ²
Motor Vehicle and Parts Dealers	\$ 433,632	\$ 391,030	\$ 891,373	\$ 2,467,593	\$ 4,730,602
Home Furnishings and Appliance Stores	7,557,245	5,707,195	5,715,449	7,675,934	12,579,202
Building Material and Garden Equipment and Supplies Dealers	5,832,117	5,621,225	6,508,228	5,741,648	7,315,430
Food and Beverage Stores	100,007	123,291	2,108,981	179,098	265,512
Gasoline Stations	423,003	598,380	553,609	777,413	347,312
Clothing and Clothing Accessories Stores	9,792,916	9,342,007	10,701,652	11,412,227	14,616,322
General Merchandise Stores	5,645,552	6,100,610	6,736,726	8,230,311	12,378,404
Food Services and Drinking Places	788,119	699,566	427,756	174,196	38,560
Other Retail Group	<u>44,586,300</u>	<u>49,391,903</u>	<u>52,843,709</u>	<u>70,434,000</u>	<u>182,137,259</u>
Total Retail and Food Services	75,158,891	77,975,207	86,487,483	107,092,420	234,408,603
All Other Outlets	<u>158,970,575</u>	<u>163,218,614</u>	<u>117,254,440</u>	<u>128,616,207</u>	<u>192,910,757</u>
Total All Outlets	<u>\$234,129,466</u>	<u>\$241,193,821</u>	<u>\$203,741,923</u>	<u>\$235,708,627</u>	<u>\$427,319,360</u>

¹ Totals may not calculate due to rounding.

² Taxable sales through 4th Quarter, 2020.

Source: State of California Department of Tax and Fee Administration

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Construction Trends

Provided below are the building permits and valuations for the County for calendar years 2015 through 2019.

**Humboldt County
Total Building Permit Valuations
Calendar Years 2015 Through 2019
(dollars in thousands)**

	2015	2016	2017	2018	2019
Permit Valuation:					
New Single-family	\$25,200.1	\$29,123.3	\$32,530.7	\$32,487.9	\$35,200.9
New Multi-family	3,255.8	2,435.3	4,786.7	5,897.3	40,752.6
Res. Alterations/Additions	<u>11,341.3</u>	<u>15,845.1</u>	<u>9,875.0</u>	<u>12,986.8</u>	<u>12,327.8</u>
Total Residential	39,797.2	47,403.7	47,192.4	51,372.0	88,281.3
New Commercial	8,002.5	18,732.4	13,628.3	17,416.5	14,981.2
New Industrial	2,534.1	2,302.2	211.7	2,129.2	39.4
New Other	1,911.2	1,275.5	2,042.7	3,906.4	5,193.1
Com. Alterations/Additions	<u>48,406.3</u>	<u>10,807.6</u>	<u>17,727.2</u>	<u>20,991.8</u>	<u>12,381.3</u>
Total Nonresidential	60,854.1	33,117.7	33,609.9	44,443.9	35,595.0
New Dwelling Units:					
Single Family	133	155	151	153	170
Multiple Family	<u>22</u>	<u>52</u>	<u>76</u>	<u>127</u>	<u>311</u>
Total	155	207	227	280	481

Source: Construction Industry Research Board, Building Permit Summary.

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Effective Buying Income

“*Effective Buying Income*” is defined as personal income less personal tax and non-tax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), non-tax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total household effective buying income for the County, the State and the United States for the period 2017 through 2020, and projected for 2021.

Humboldt County, State of California and United States Effective Buying Income 2017 Through 2021

Year	Area	Total Effective Buying Income (000s Omitted)	Median Household Effective Buying Income
2017	Humboldt County	2,782,122	38,408
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	Humboldt County	3,035,162	39,991
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	Humboldt County	3,158,777	42,028
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	Humboldt County	3,520,677	44,787
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	Humboldt County	3,321,481	45,517
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790

Source: The Nielsen Company (US), Inc. for years 2017 and 2018; Claritas, LLC for 2019 through 2021

Transportation

The County. Humboldt Transit Authority (“HTA”) operates two fixed route transit bus systems: Redwood Transit System and Eureka Transit Service. The Redwood Transit System provides intercity service to and within communities between Trinidad and Scotia, including Manila, King Salmon, Field’s Landing, Loleta, Fernbridge and Fortuna. HTA also offers service between McKinleyville or Arcata and

Willow Creek and an express bus between Arcata and College of the Redwoods when classes are in session. The Eureka Transit Service operates in the City of Eureka, it provides local service on four scheduled routes in Eureka and its adjacent unincorporated communities. Connections can be made to the Redwood Transit System at several places in Eureka. Some other local public transit systems are: Arcata and Mad River Transit System, Blue Lake Rancheria Transit Authority and Del Norte County's Redwood Coast Transit.

Amtrak Thruway bus has stops in many towns in the region, including Eureka, Arcata, and Fortuna. These stops are not managed by Amtrak and therefore have no services beyond serving passengers. Full service is only provided at the train station in Martinez, near San Francisco.

Arcata-Eureka Airport is located in McKinleyville. Commercial flights are available. Other general aviation airports are located at Dinsmore, Garberville, Kneeland, Murray Field (Eureka), Samoa Field and Rohnerville (Fortuna).

California's second largest natural bay, Port of Humboldt Bay is located in the County.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon the execution and delivery of the Certificates, the District proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

THIS CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by the McKinleyville Community Services District (the “District”) in connection with the execution and delivery of its \$[_____] Revenue Certificates of Participation, Series 2021A (Water Project) (the “Water System Certificates”) and \$[_____] McKinleyville Community Services District Revenue Certificates of Participation Series 2021B (Wastewater Project) (the “Wastewater System Certificates” and collectively with the Water System Certificates, the “Certificates”). The Water System Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2021 (the “Water System Trust Agreement”), by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), CSDA Finance Corporation (the “Corporation”) and the District. The Wastewater System Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2021 (the “Wastewater System Trust Agreement” and, together with the Water System Trust Agreement, the “Trust Agreement”), by and among the Trustee, the Corporation and the District. The District covenants and agrees as follows:

Section 1. Purpose of This Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriter in complying with the Rule.

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

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

“*Annual Report Date*” means the date that is nine months after the end of the District’s Fiscal Year (currently March 31 based on the District’s Fiscal Year end of June 30).

“*Dissemination Agent*” means the District or any dissemination agent designed in writing by the District to act as such.

“*Financial Obligation*” means a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of clause (a) or (b). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

“*Fiscal Year*” means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the District as its official Fiscal Year period under a certificate of the District filed with the Trustee.

“*Holder*” means a registered owner of the Certificates.

“*Listed Events*” means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

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

“*Official Statement*” means the Official Statement dated December [], 2021 relating to the Certificates.

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

“*Rule*” means 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.

“*Listed Events*” means any of the events listed in Section 5(a).

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2022, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) The District's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District'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 final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the District for the preceding Fiscal Year:

(i) Adopted rates and charges of the Water System for the prior Fiscal Year, substantially in the form of Table IV.

(ii) A table showing the number of connections of the Water System for the prior Fiscal Year, substantially in the form of Table VII.

(ii) A table showing the Water System and Wastewater System Net Revenues, Operating and Maintenance Costs and debt service coverage ratio for the Certificates and any Parity Obligations for the prior Fiscal Year, substantially in the form of the Table under the heading "Water System Historical Debt Service Coverage" and "Wastewater System Historical Debt Service Coverage."

(iv) A table showing the Ten Largest Commercial Water Customers of the Water System for the prior Fiscal Year, substantially in the form of Table VIII.

(v) Adopted rates and charges of the Wastewater System for the prior Fiscal Year, substantially in the form of Table IX.

(vi) A table showing the number of connections of the Wastewater System for the prior Fiscal Year, substantially in the form of Table XII.

(vii) A table showing the Ten Largest Customers of the Wastewater System for the prior Fiscal Year, substantially in the form of Table XIII.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material 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.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the District and the Certificates:

- (1) Principal and interest payment delinquencies.
 - (2) Non payment related defaults, if material.
 - (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
 - (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
 - (5) Substitution of credit or liquidity providers, or their failure to perform.
 - (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
 - (7) Modifications to rights of security holders, if material.
 - (8) Bond calls, if material, and tender offers.
 - (9) Defeasances.
 - (10) Release, substitution, or sale of property securing repayment of the securities, if material.
 - (11) Rating changes.
 - (12) Bankruptcy, insolvency, receivership or similar event of the District.
 - (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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.
 - (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
 - (15) Incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material (for the definition of “financial obligation,” see clause (e)).
 - (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties (for the definition of “financial obligation,” see clause (e)).
- (b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such

occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (a)(ix) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates under the Trust Agreement or Installment Purchase Contract.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier “if material.” The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the District determines the event’s occurrence is material for purposes of U.S. federal securities law.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District 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 District, 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 District.

(e) For purposes of Section 5(a)(15) and (16), “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 (iii) 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. Identifying Information for Filing with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

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

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days’ written notice to the District.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements,

change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Certificates in the manner provided in the Trust Agreement and Installment Purchase Contract for amendments to the Trust Agreement and Installment Purchase Contract, respectively, with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriters or any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

No Holder or Beneficial Owner of the Certificates may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of

their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they 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 have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Note holders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and the holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Section 15. Certificate Insurer Provisions. The District will provide [INSURER] (“[INSURER]”) with all notices and other information it is obligated to provide under this Disclosure Certificate. The notice address of [INSURER] is: The notice address of [INSURER] is: [INSURER], 200 Liberty Street, 27th Floor, New York, NY 10281, Attention: Surveillance, Re: Policy No. 2021B0946, Telephone: (212) 235-2500, Telecopier: (212) 235-1542, Email: notices@buildamerica.com. In each case in which notice or other communication refers to an event of default or a claim on the Policy, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel at the same address and at claims@buildamerica.com or at Telecopier: (212) 235-5214 and shall be marked to indicate “URGENT MATERIAL ENCLOSED.”

SECTION 16. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing. McKinleyville Community Services District 1656 Sutter Road, McKinleyville, CA 95519 Attention: General Manager

Dated: December __, 2021

MCKINLEYVILLE COMMUNITY SERVICES
DISTRICT

By _____

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

Introduction

Unless otherwise noted, the information contained under the caption “—General” below has been provided by DTC. The District makes no representation as to the accuracy or the completeness of such information. The Beneficial Owners of the Certificates should confirm the following information with DTC or the DTC Participants.

NEITHER THE DISTRICT NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (a) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (b) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE CERTIFICATES UNDER THE TRUST AGREEMENT; (c) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL PREPAYMENT OF THE CERTIFICATES; (d) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR PREPAYMENT PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE OWNER OF THE CERTIFICATES; (e) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF CERTIFICATES; OR (f) ANY OTHER MATTER.

General

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Certificates. The Certificates 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 certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and 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 securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The rules applicable to DTC and its Direct Participants are on file with the Securities and Exchange Commission.

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

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

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

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Certificates. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Prepayment proceeds, principal and interest payments with respect to the Certificates 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 immediately credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District, the Corporation or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the District or the Corporation, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of prepayment 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 Corporation or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation, the District and the Underwriter believes to be reliable, but the Corporation, the District and the Underwriter take no responsibility for the accuracy thereof. Additional information concerning DTC can be found at DTC's website at www.dtc.org. The District, the Corporation nor the Underwriter, undertake any responsibility for and make no representation as to the accuracy or the completeness of the content of such material contained on the World Wide Web as described in the preceding sentence including, but not limited to, updates of such information or links to other World Wide Web sites accessed through the aforementioned website.

APPENDIX F

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

APPENDIX G

[SPECIMEN MUNICIPAL BOND INSURANCE POLICY]