PRELIMINARY OFFICIAL STATEMENT DATED MAY 18, 2022

NEW ISSUE – BOOK ENTRY ONLY

Ratings: S&P: "AAA"
Moody's: "Aa1"
See "RATINGS" herein.

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, and Curls Bartling P.C., Co-Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the Series 2022 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Co-Bond Counsel, interest (and original issue discount) on the Series 2022 Bonds is exempt from State of California personal income tax. See "TAX MATTERS."

EBMUD

EAST BAY MUNICIPAL UTILITY DISTRICT
(Alameda and Contra Costa Counties, California)

\$18,500,000*
Wastewater System Revenue Bonds, Series 2022A (Green Bonds)

\$17,715,000*
Wastewater System Revenue Refunding Bonds, Series 2022B

Dated: Date of Delivery | **Due: June 1, as shown on inside cover pages**

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page and not otherwise defined shall have the meanings set forth herein.

The East Bay Municipal Utility District (the "District") is issuing its Wastewater System Revenue Bonds, Series 2022A (Green Bonds) and its Wastewater System Revenue Refunding Bonds, Series 2022B (collectively, the "Series 2022 Bonds") pursuant to a Wastewater System Subordinated Revenue Bond Indenture, dated as of April 1, 1990, by and between the District and First Interstate Bank of California, which has been succeeded by U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), as amended and supplemented, including as amended and supplemented by a Twentieth Supplemental Indenture, dated as of June 1, 2022, by and between the District and the Trustee, providing for the issuance of the Series 2022 Bonds (collectively, the "Indenture"). The Series 2022 Bonds will be issued in fully-registered form, without coupons, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2022 Bonds. Beneficial ownership interests in the Series 2022 Bonds of each Series may be purchased in book-entry form only in denominations of \$5,000 principal amount or any integral multiple thereof. Interest on the Series 2022 Bonds is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2022. Principal is payable on June 1 of the years set forth on the inside front cover. The principal or redemption price of, and interest on, the Series 2022 Bonds are payable by the Trustee to DTC, which is obligated in turn to remit such principal or redemption price and interest to the DTC participants for subsequent disbursement to the beneficial owners of the Series 2022 Bonds. See APPENDIX E – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Series 2022 Bonds are subject to redemption prior to maturity as more fully described herein. See "THE SERIES 2022 BONDS – Redemption."

The Series 2022 Bonds are being issued for the purpose of providing moneys to (i) finance and/or reimburse the District for certain costs of improvements to the Wastewater System of the District, (ii) refund all of the District's outstanding Wastewater System Revenue Refunding Bonds, Series 2012A, and (iii) pay costs of issuance of the Series 2022 Bonds, as described herein. See "PLAN OF FINANCE."

The Series 2022 Bonds are special obligations of the District, payable solely from and secured by a pledge of Subordinated Wastewater Revenues as more fully described herein. Subordinated Wastewater Revenues generally consist of the District's Wastewater Revenues (adjusted for deposits to and withdrawals from the Rate Stabilization Fund) remaining after the payment of all Wastewater Operation and Maintenance Costs. The Series 2022 Bonds have been issued on parity with the District's Wastewater System Revenue Bonds and Parity Debt heretofore or hereafter issued, as more fully described herein. There are no Senior Wastewater Bonds remaining outstanding and the District has covenanted that it will not issue any Senior Wastewater Bonds in the future. The District also operates a Water System. The Series 2022 Bonds are not payable from or secured by the revenues of the Water System of the District. **Neither the full faith and credit nor the taxing power of the District is pledged to the payment of the Series 2022 Bonds or the interest thereon.**

The Series 2022 Bonds are offered when, as and if issued, subject to the approval of validity by Stradling Yocca Carlson & Rauth, a Professional Corporation, and Curls Bartling P.C., Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by its General Counsel and by Stradling Yocca Carlson & Rauth, a Professional Corporation, and Curls Bartling P.C., as Co-Disclosure Counsel, and for the Underwriter by Orrick, Herrington & Sutcliffe LLP. Montague DeRose and Associates, LLC is serving as municipal advisor to the District in connection with the Series 2022 Bonds. It is anticipated that the Series 2022 Bonds will be available for delivery through the facilities of DTC in New York, New York by Fast Automated Securities Transfer (FAST) on or about June 16, 2022.

Siebert Williams Shank & Co., LLC

Dated: May __, 2022

* Preliminary, subject to change.

EAST BAY MUNICIPAL UTILITY DISTRICT
(Alameda and Contra Costa Counties, California)

MATURITY SCHEDULES*

$18,500,000*
Wastewater System Revenue Bonds,
Series 2022A (Green Bonds)

$____________ Serial Series 2022A Bonds

Maturity Date (June 1)	*Principal Amount*	*Interest Rate*	*Yield*	*CUSIP†*

$__________ _____% Term Series 2022A Bonds due June 1, 20___, Yield _____%; CUSIP†: 271012___

* Preliminary, subject to change.
† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the District or the Underwriter and are included solely for the convenience of the holders of the Series 2022A Bonds. Neither the District nor the Underwriter is responsible for the selection or use of these CUSIP numbers and no representation is made as to their correctness on the Series 2022A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2022A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Series 2022A Bonds.

$17,715,000*
Wastewater System Revenue Refunding Bonds,
Series 2022B

$____________ Serial Series 2022B Bonds

Maturity Date (June 1)	*Principal Amount*	*Interest Rate*	*Yield*	*CUSIP*†

$_________ ____% Term Series 2022B Bonds due June 1, 20___, Yield ___%; CUSIP†: 271012___

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* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the District or the Underwriter and are included solely for the convenience of the holders of the Series 2022B Bonds. Neither the District nor the Underwriter is responsible for the selection or use of these CUSIP numbers and no representation is made as to their correctness on the Series 2022B Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2022B Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Series 2022B Bonds.

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representation other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2022 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Series 2022 Bonds.

The information set forth in this Official Statement has been furnished by the District and obtained from official sources and other sources which are believed to be reliable. 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 representations of facts. 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.

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.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access (EMMA) website. The District also maintains a website and certain social media accounts. However, the information presented therein is not part of this Official Statement and must not be relied upon in making an investment decision with respect to the Series 2022 Bonds.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2022 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

FORWARD-LOOKING STATEMENTS

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

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

EAST BAY MUNICIPAL UTILITY DISTRICT
Alameda and Contra Costa Counties, California
375 Eleventh Street
Oakland, California 94607
(866) 403-2683

Board of Directors

Doug A. Linney, *President*
John A. Coleman, *Vice President*
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Rischa S. Cole, *Secretary of the District*
Andrea M. Miller, *Controller*
Robert L. Hannay, *Treasury Manager*
Samuel A. Feldman, *Manager of Budget*

Co-Bond and Co-Disclosure Counsel

Stradling Yocca Carlson & Rauth,
a Professional Corporation
Newport Beach, California

Curls Bartling P.C.
Oakland, California

Municipal Advisor

Montague DeRose and Associates, LLC
Walnut Creek, California

Trustee

U.S. Bank Trust Company, National Association
San Francisco, California

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OFFICIAL STATEMENT

EAST BAY MUNICIPAL UTILITY DISTRICT
(Alameda and Contra Costa Counties, California)

$18,500,000*
Wastewater System Revenue Bonds, Series 2022A (Green Bonds)

$17,715,000*
Wastewater System Revenue Refunding Bonds, Series 2022B

INTRODUCTION

This Introduction is not a summary of this Official Statement, and is qualified by more complete and detailed information contained elsewhere in the Official Statement. A full review should be made of the entire Official Statement, including the cover page and attached appendices. The offering of Series 2022 Bonds to potential investors is made only by means of the entire Official Statement. Certain definitions of capitalized terms used and not defined herein are set forth in APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Purpose

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to set forth certain information concerning the East Bay Municipal Utility District (the "District"), the wastewater interception, treatment and disposal system owned by the District (the "Wastewater System" or the "System"), and System finances, in connection with the sale of the District's $18,500,000* Wastewater System Revenue Bonds, Series 2022A (Green Bonds) (the "Series 2022A Bonds") and its $17,715,000* Wastewater System Revenue Refunding Bonds, Series 2022B (the "Series 2022B Bonds" and, together with the Series 2022A Bonds, the "Series 2022 Bonds"). The Series 2022 Bonds are being issued pursuant to the Wastewater System Subordinated Revenue Bond Indenture, dated as of April 1, 1990, by and between the District and First Interstate Bank of California, which has been succeeded by U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), as amended and supplemented, including as amended and supplemented by the Twentieth Supplemental Indenture, dated as of June 1, 2022, by and between the District and the Trustee, relating to the Series 2022 Bonds (as so amended and supplemented, the "Indenture").

The Series 2022 Bonds are being issued for the purpose of providing moneys to (i) finance and/or reimburse the District for certain costs of improvements to the Wastewater System of the District, (ii) refund all of the District's outstanding Wastewater System Revenue Refunding Bonds, Series 2012A, and (iii) pay costs of issuance in connection with the Series 2022 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "PLAN OF FINANCE." See also APPENDIX A – "THE EAST BAY MUNICIPAL UTILITY DISTRICT (THE WASTEWATER SYSTEM) – THE WASTEWATER SYSTEM – Capital Improvement Program."

The District

The District is a municipal utility district, created in 1923 by vote of the electorate in portions of Alameda and Contra Costa Counties in the State of California (the "State"). The District is formed under the authority of the Municipal Utility District Act, constituting Division 6 of the Public Utilities Code of

* Preliminary, subject to change.

the State, commencing with Section 11501 (the "Municipal Utility District Act"). Pursuant to the Municipal Utility District Act, the District is empowered to own and operate the Wastewater System. See APPENDIX A – "THE EAST BAY MUNICIPAL UTILITY DISTRICT (THE WASTEWATER SYSTEM)." The District also operates a water system (the "Water System").

The Series 2022 Bonds are not payable from or secured by the revenues of the Water System of the District.

Security for the Series 2022 Bonds

The Series 2022 Bonds are special obligations of the District, payable solely from and secured by a pledge of the Subordinated Wastewater Revenues of the District, as defined in the Indenture. Subordinated Wastewater Revenues generally consist of the District's Wastewater Revenues (adjusted for deposits to and withdrawals from the Rate Stabilization Fund) remaining after the payment of (a) all Wastewater Operation and Maintenance Costs and (b) all amounts required to be paid under the District's Senior Wastewater Bond Resolution for principal, interest, reserve fund and any other debt service requirements on the Senior Wastewater Bonds. **There are no Senior Wastewater Bonds currently outstanding and the District has covenanted pursuant to the Twelfth Supplemental Indenture, dated as of September 15, 2010 (the "Twelfth Supplemental Indenture") that it will not issue any Senior Wastewater Bonds in the future.** Prior to the date of execution and delivery of the Twelfth Supplemental Indenture, all Wastewater System revenue bonds of the District issued under the Indenture were designated "Wastewater System Subordinated Revenue Bonds." Pursuant to the Twelfth Supplemental Indenture, any Wastewater System revenue bonds of the District issued (or remarketed or otherwise reoffered) under the Indenture following the execution and delivery of the Twelfth Supplemental Indenture are designated "Wastewater System Revenue Bonds" in order to reflect that the lien of the Senior Wastewater Bonds has been closed. All Outstanding Wastewater System revenue bonds issued under the Indenture (howsoever designated), together with any additional Wastewater System revenue bonds hereafter issued under the Indenture are secured on parity by Subordinated Wastewater Revenues and are collectively referred to herein as the "Wastewater System Revenue Bonds." See "SECURITY FOR THE SERIES 2022 BONDS – Pledge of Subordinated Wastewater Revenues."

The Series 2022 Bonds are secured on parity with the District's other Wastewater System Revenue Bonds to be Outstanding upon the delivery thereof, together with any additional Wastewater System Revenue Bonds hereafter issued and with any other Parity Debt (which may include payment obligations under interest rate swap agreements) heretofore or hereafter incurred in accordance with the Indenture. See "SECURITY FOR THE SERIES 2022 BONDS – Outstanding Wastewater System Revenue Obligations," and "– Issuance of Additional Wastewater System Revenue Bonds and Parity Debt; Junior and Subordinate Obligations." As of April 30, 2022, the District had Outstanding $347,890,000 aggregate principal amount of Wastewater System Revenue Bonds. See APPENDIX A – "THE EAST BAY MUNICIPAL UTILITY DISTRICT (THE WASTEWATER SYSTEM) – WASTEWATER SYSTEM FINANCES – Outstanding Debt." See also "PLAN OF FINANCE – Refunding of the Refunded Bonds."

NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT IS PLEDGED TO THE PAYMENT OF THE SERIES 2022 BONDS OR THE INTEREST THEREON.

Rate Covenant

The District covenants under the Indenture that it will at all times, while any of the Wastewater System Revenue Bonds (including the Series 2022 Bonds) remain Outstanding, fix, prescribe and collect rates, fees and charges in connection with the services and facilities furnished by the Wastewater System so as to yield Wastewater Revenues in each Fiscal Year sufficient so that the Subordinated Wastewater Revenues for such year shall be at least equal to 1.1 times the amount of Debt Service on all Wastewater System Revenue Bonds and Parity Debt for such Fiscal Year. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Covenants." See also "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Continuing Disclosure

Pursuant to a Continuing Disclosure Agreement, dated the date of delivery of the Series 2022 Bonds, by and between the District and Digital Assurance Certification, LLC, as dissemination agent (the "Dissemination Agent"), the District will covenant and agree for the benefit of the holders and beneficial owners of the Series 2022 Bonds to provide certain financial information and operating data relating to the District and the Wastewater System by not later than December 31 of each year in which the Series 2022 Bonds are outstanding (or if the District's fiscal year changes, by no later than six months after the end of such Fiscal Year) (the "Annual Report"), commencing with the Annual Report for Fiscal Year 2021-22, and to provide notices of the occurrence of certain specified events. The Annual Report and the notices of specified events will be filed by the Dissemination Agent on behalf of the District with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access system ("EMMA"). See "CONTINUING DISCLOSURE." These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). See also APPENDIX F – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

As of the date hereof, the District is in compliance in all material respects with its continuing disclosure undertakings for the last five years. Filings through EMMA are linked to a particular issue of obligations by CUSIP number (which is subject to change after the issuance of obligations as a result of various subsequent actions). The District uses its best efforts to confirm that each report filed through EMMA is linked to all the correct 9-digit CUSIP numbers. However, as a technical matter, it has come to the District's attention that certain filings during the past five years, when made, were not appropriately linked to all applicable CUSIP numbers. The District has since caused the applicable filings to be linked to the additional CUSIPs.

Professionals Involved in the Issue

U.S. Bank Trust Company, National Association serves as Trustee under the Indenture. Certain legal matters incident to the authorization, issuance and sale of the Series 2022 Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, and Curls Bartling P.C., Oakland, California, Co-Bond Counsel. Certain legal matters will be passed upon for the District by its General Counsel and by Stradling Yocca Carlson & Rauth, a Professional Corporation, and Curls Bartling P.C., as Co-Disclosure Counsel, and for the Underwriter by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Underwriter's Counsel. Montague DeRose and Associates, LLC, Walnut Creek, California, is serving as municipal advisor to the District in connection with the issuance of the Series 2022 Bonds.

Summaries Not Definitive

The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary or reference is qualified in its entirety by reference to each such document, statute, report or instrument. The capitalization of any word not conventionally capitalized or otherwise defined herein, indicates that such word is defined in the Indenture and, as used herein, has the meaning given to it in the Indenture. Unless otherwise indicated, all financial and statistical information herein has been provided by the District.

All references to and summaries of the Indenture and all documents, statutes, reports and other instruments referred to herein are qualified in their entirety by reference to the full Indenture and each such document, statute, report or instrument, respectively, copies of which are available for inspection at the offices of the District in Oakland, California, and will be available from the Trustee upon request and payment of duplication costs. Forward-looking statements in this Official Statement are subject to risks and uncertainties. Actual results may vary from forecasts or projections contained herein if events and circumstances do not occur as projected, and such variances may be material.

Additional Information

The District regularly prepares a variety of publicly available reports, including audits, budgets and related documents. Any Series 2022 Bondholder may obtain a copy of any such report, as available, from the Trustee or the District. Additional information regarding this Official Statement may be obtained by contacting the Trustee or Sophia D. Skoda, Director of Finance, East Bay Municipal Utility District, 375 Eleventh Street, Oakland, California 94607-4240, (510) 287-0231.

THE DISTRICT

The District is a municipal utility district, created in 1923 by vote of the electorate in portions of Alameda and Contra Costa Counties in the State of California. The District is formed under the authority of the Municipal Utility District Act. Under the Municipal Utility District Act, municipal utility districts are empowered to acquire, construct, own, operate or control works for supplying the district and public agencies in the district with light, water, power, heat, transportation, telephone service or other means of communications, means for the collection, treatment or disposition of garbage, sewage or refuse matter, and public recreation facilities appurtenant to its reservoirs and may do all things necessary and convenient to the full exercise of powers granted in the Municipal Utility District Act. The District presently exercises only those functions relating to water supply, power generation and recreational facilities through its Water System, and, within an area known as Special District No. 1, sewerage and wastewater interception, treatment and disposal, and power generation through its Wastewater System. Special District No. 1 covers only a portion of the service area of the District. The District presently does not intend to exercise other functions. Such other functions and the related facilities, if exercised, would not constitute part of the Water System or the Wastewater System.

For information on the District, the Wastewater System and its finances and operations, see APPENDIX A – "THE EAST BAY MUNICIPAL UTILITY DISTRICT (THE WASTEWATER SYSTEM)" and APPENDIX B – "EAST BAY MUNICIPAL UTILITY DISTRICT AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020."

PLAN OF FINANCE

Purposes of the Series 2022 Bonds

The proceeds of the Series 2022 Bonds will be applied to (i) finance and/or reimburse the District for certain costs of improvements to the Wastewater System of the District, (ii) refund all of the District's Wastewater System Revenue Refunding Bonds, Series 2012A (such bonds to be refunded, the "Refunded Series 2012A Bonds"), and (iii) pay costs incidental to the issuance of the Series 2022 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS."

Series 2022A Bonds Designation as Green Bonds

The Series 2022A Bonds are being issued for the primary purpose of providing additional moneys to finance (by reimbursement to the District of) a portion of the costs of various improvements to the District's Wastewater System. The District has designated the Series 2022A Bonds as "Green Bonds" to allow investors to invest directly in bonds that finance environmentally beneficial projects. Such designation has been made by the District in accordance with the District's Board-approved Guidance for Issuing Green Bonds (the "District's Green Bond Guidance"), which was most recently approved by the District Board on March 22, 2022. The District's Green Bond Guidance identifies the criteria (described below) that the District expects to take into consideration in identifying the types of "green" projects the costs of which may be funded (or reimbursed to the District) from the proceeds of Green Bonds. The District's Green Bonds Guidance further provides that in identifying potential projects for Green Bond financing, the District's aim should be towards including projects that best meet one or more of the identified criteria and excluding those projects that appear marginal or that have unresolved sustainability issues.

The District has promoted principles of sustainability for a number of years. The District initially adopted a Sustainability Policy, District Policy 7.05, in 1994. The District's current Sustainability Policy provides that it is the policy of the District to provide reliable, high-quality drinking water and wastewater service through sustainable and resilient planning, design, and construction, operations, maintenance, rehabilitation, and disposal activities that manage long-term economic, environmental, and human resource benefits. The District's current Sustainability Policy further provides for District staff to annually report to the Board summarizing the status of the District's sustainability efforts.

In identifying projects eligible for Green Bond financing, the District considers projects that are designed to meet one or more of the following criteria to be "green" projects: (i) maintain water quality; (ii) improve water use efficiency, including conservation through reduced water loss; (iii) improve biodiversity and ecosystem quality; (iv) protect against flooding; (v) reduce pollution; (vi) improve resilience (adaptation) to climate change; (vii) reduce the combustion of fossil fuels; (viii) reduce greenhouse gas emissions; (ix) implement "reduce, reuse, recycle" practices in preference to raw materials; or (x) adhere to sustainable purchasing guidelines. Where relevant, the District's Green Bond Guidance maps these criteria for alignment with the categories, principles, or goals under the standards or frameworks established by the International Capital Market Association's Green Bond Principles, the United Nations' Sustainable Development Goals and the Climate Bonds Initiative's Climate Bonds Taxonomy. It should be noted that such mapping is provided for comparison purposes only and no representation is made by the District that the projects satisfying the District's criteria will necessarily fit the mapped criteria from the other frameworks.

The District's Green Bond Guidance as approved by the Board on March 22, 2022 is set forth in APPENDIX G – "THE DISTRICT'S GREEN BOND GUIDANCE AND EXPECTED SERIES 2022A BONDS GREEN BOND PROJECTS." Also set forth in Appendix G is a list of the particular projects that are considered by the District to be "green" projects, the costs of which the District expects to be funded (through reimbursement to the District) from proceeds of the Series 2022A Bonds. Proceeds of the Series 2022A Bonds will primarily be used to reimburse the District for some or all of the costs of the projects identified in Exhibit G. The proceeds of the Series 2022A Bonds will be deposited into a separately labeled account by the District and allocated to prior expenditures for capital improvement projects identified by the District as satisfying its criteria for green projects. Because proceeds of the Series 2022A Bonds will be applied to reimburse the District for prior expenditures made in connection with the projects identified in Exhibit G, the District does not intend to undertake any further tracking of and reporting on the use of the proceeds of the Series 2022A Bonds.

There can be no assurance that the green projects funded with the proceeds of the Series 2022A Bonds will meet an investor's expectations regarding sustainability performance. It is possible that adverse environmental or social impacts may occur during the design, construction and operation of the green projects. For additional information regarding the District's capital improvement program for the Wastewater System, and a description of the major programs and projects included therein, see APPENDIX A – "THE EAST BAY MUNICIPAL UTILITY DISTRICT (THE WASTEWATER SYSTEM) – THE WASTEWATER SYSTEM – Capital Improvement Program."

The terms "Green Bonds" and "green project" are neither defined in nor related to provisions in the Indenture or otherwise defined under State or federal laws. No independent certification is being obtained with respect to the treatment of the Series 2022A Bonds as Green Bonds. The use of such terms herein is for identification purposes only and is not intended to provide or imply that an owner of the Series 2022A Bonds is entitled to any additional security other than as provided in the Indenture. The repayment obligations of the District with respect to the Series 2022A Bonds are not conditioned on the completion of any particular project or the satisfaction of any certification relating to the status of the Series 2022A Bonds as Green Bonds. The District assumes no obligation to ensure that these projects comply with any legal or other principles of green projects as such principles may evolve over time. The District's Green Bond Guidance as applied in connection with the Series 2022A Bonds may be updated or changed in the future at the Board's discretion.

The Series 2022A Bonds will not constitute "exempt facility bonds" issued to finance "qualified green building and sustainable design projects" within the meaning of Section 142(1) of the Code.

Refunding of the Refunded Bonds

The Series 2022B Bonds are being issued for the primary purpose of refunding all of the District's Outstanding Series 2012A Bonds. The refunding of the Refunded Series 2012A Bonds is being undertaken in order to achieve net present value and debt service savings.

The following table details the maturity dates and principal amounts of the Series 2012A Bonds that are to be refunded. The specific bonds to be refunded will be determined by the District at the time that the District and the Underwriter execute the bond purchase contract for the Series 2022 Bonds. **All Refunded Series 2012A Bonds, dates and amounts are subject to change by the District in its sole discretion.**

Refunded Series 2012A Bonds*

Maturity Date	Issue Date	CUSIP (Base No. 271012)	Interest Rate	Outstanding Principal Amount	Principal Amount to be Redeemed
06/01/2033	10/10/2012	DT0	5.00%	$10,000,000	$10,000,000
06/01/2037	10/10/2012	DU7	5.00	10,000,000	10,000,000
TOTAL					$20,000000

The refunding of the Refunded Series 2012A Bonds will be effected by depositing a portion of the proceeds of the Series 2022B Bonds into the Redemption Fund held by the Trustee under the Indenture. The amounts so deposited will be applied on June 16, 2022*, the date of delivery of the Series 2022 Bonds, to redeem the Refunded Series 2012A Bonds at a redemption price of 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date. Pursuant to the Indenture, upon such deposit and notice of the redemption of the Refunded Series 2012A Bonds

* Preliminary, subject to change.

having been given, all liability of the District with respect to the Refunded Series 2012A Bonds will cease, terminate and be completely discharged and satisfied and the owners of the Refunded Series 2012A Bonds will be entitled to payment thereof solely from the amounts deposited in the Redemption Fund for such purpose.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Series 2022 Bonds, rounded to the nearest dollar, are as follows:

	Series 2022A Bonds	***Series 2022B Bonds***	***Total***
Sources			
Principal Amount	$	$	$
Original Issue Premium/Discount			
Total	$	$	$
Uses			
Series 2022A (Green Bonds) Wastewater System Fund(1)	$	$	$
Deposit to Redemption Fund			
Underwriter's Discount			
Costs of Issuance(2)			
Total	$	$	$

(1) Includes amounts to be reimbursed to the District for prior expenditures.
(2) Includes legal, financing and consulting fees, rating agency fees, printing costs and other miscellaneous expenses.

THE SERIES 2022 BONDS

General Description

The Series 2022 Bonds of each Series will be issued in the respective aggregate principal amounts, will bear interest at the respective rates and will mature in the respective years and amounts, all as set forth on the inside cover pages of this Official Statement. The Series 2022 Bonds of each Series will be issued in denominations of $5,000 principal amount or any integral multiple thereof. The Series 2022 Bonds of each Series will be dated, and shall bear interest from, their date of delivery. Interest on the Series 2022 Bonds of each Series is payable on each June 1 and December 1, commencing on December 1, 2022, and will be computed on the basis of a 360-day year of twelve 30-day months. The Series 2022 Bonds will be issued as fully registered bonds in book-entry form only and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2022 Bonds. So long as DTC, or its nominee, Cede & Co., is the registered owner of the Series 2022 Bonds, all payments of principal or redemption price of, and interest on, the Series 2022 Bonds will be made directly to DTC, which is obligated in turn to remit such principal or redemption price and interest to its DTC participants for subsequent disbursement to the beneficial owners of the Series 2022 Bonds. See APPENDIX E – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Redemption[*]

Series 2022A Bonds

Optional Redemption. The Series 2022A Bonds maturing on or before June 1, 2032[*] are not subject to optional redemption prior to maturity. The Series 2022A Bonds maturing on and after June 1, 2033[*] are subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part (by such maturities as may be specified by the District and by lot within a maturity), on any date on or after June 1, 2032[*], at a redemption price equal to the principal amount of Series 2022A Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

Mandatory Redemption. The Series 2022A Bonds maturing on June 1, 20___ are subject to redemption prior to their stated maturity, in part, by lot, from Mandatory Sinking Account Payments as specified below, commencing on June 1, 20__, at the principal amount of each Series 2022A Bond so redeemed plus accrued interest thereon to but not including the date fixed for redemption, without premium.

Term Series 2022A Bonds due June 1, 20___

Mandatory Sinking Account Payment Dates (June 1)	***Mandatory Sinking Account Payments***
	$
†	

† Final Maturity.

Upon an optional redemption of a portion of any term Series 2022A Bond, the District shall provide the Trustee with a revised schedule of the foregoing Mandatory Sinking Account Payments which shall provide for a reduction in the amount of one or more of the Mandatory Sinking Account Payments coming due on such term Series 2022A Bond after such redemption as specified by the District in such schedule to reflect such redeemed portion.

Series 2022B Bonds

Optional Redemption. The Series 2022B Bonds maturing on or before June 1, 2032* are not subject to optional redemption prior to maturity. The Series 2022B Bonds maturing on and after June 1, 2033* are subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part (by such maturities as may be specified by the District and by lot within a maturity), on any date on or after June 1, 2032*, at a redemption price equal to the principal amount of Series 2022B Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

[*] Preliminary; subject to change.

Mandatory Redemption. The Series 2022B Bonds maturing on June 1, 20___ are subject to redemption prior to their stated maturity, in part, by lot, from Mandatory Sinking Account Payments as specified below, commencing on June 1, 20__, at the principal amount of each Series 2022B Bond so redeemed plus accrued interest thereon to but not including the date fixed for redemption, without premium.

Term Series 2022B Bonds due June 1, 20___

Mandatory Sinking Account Payment Dates (June 1)	***Mandatory Sinking Account Payments***
	$
†	

† Final Maturity.

Upon an optional redemption of a portion of any term Series 2022B Bond, the District shall provide the Trustee with a revised schedule of the foregoing Mandatory Sinking Account Payments which shall provide for a reduction in the amount of one or more of the Mandatory Sinking Account Payments coming due on such term Series 2022B Bond after such redemption as specified by the District in such schedule to reflect such redeemed portion.

Notice of Redemption. Notice of redemption of the Series 2022 Bonds shall be given by the Trustee, not less than 20 nor more than 60 days prior to the redemption date, to DTC by electronic means of communication or by first-class mail or, if the book-entry system as described in Appendix E has been discontinued, to the respective Owners of any Series 2022 Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee by first-class mail, and to EMMA by electronic means of communication, or to such other securities depositories or information services as the District may designate in a Request of the District delivered to the Trustee. Such notice of redemption will state, among other things, the date of issue of the Series 2022 Bonds to which such notice relates, the redemption date, the redemption price and in the case of Series 2022 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and shall be given in the form and otherwise in accordance with the terms of the Indenture. Failure by any Owner to receive notice or any defect in any such notice shall not affect the sufficiency of the proceedings for redemption.

In the event of an optional redemption of Series 2022 Bonds, if the District shall not have deposited or otherwise made available to the Trustee the money required for the payment of the redemption price of the Series 2022 Bonds to be redeemed at the time of the mailing of notice of redemption, such notice of redemption shall state that the redemption is expressly conditioned upon the timely deposit of sufficient funds therefor with the Trustee.

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of a Series of the Series 2022 Bonds, the maturities of the Series 2022 Bonds of such Series to be redeemed shall be specified by the District. In the case of partial redemption of less than all of the Series 2022 Bonds of any maturity, the Trustee will select the Series 2022 Bonds of such maturity to be redeemed from all Series 2022 Bonds of the respective Series and maturity not previously called for redemption, in authorized denominations, by lot, in any manner which the Trustee in its sole discretion deems appropriate and fair.

Effect of Redemption. If notice of redemption is given as provided in the Indenture, and moneys for payment of the redemption price of, together with interest accrued to the redemption date on, the Series 2022 Bonds (or portions thereof) so called for redemption is held by the Trustee, then on the redemption date designated in such notice, the Series 2022 Bonds (or portions thereof) so called for redemption will become due and payable at the redemption price specified in the notice of redemption, together with interest accrued thereon to the date fixed for redemption, interest on such Series 2022 Bonds so called for redemption will cease to accrue, the Series 2022 Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture and the owners of the Series 2022 Bonds (or portions thereof) will have no rights in respect thereof except to receive payment of the redemption price plus accrued interest.

SECURITY FOR THE SERIES 2022 BONDS

General

Authority for Issuance. The Series 2022 Bonds are authorized for issuance pursuant to the Municipal Utility District Act and laws of the State amendatory thereof or supplemental thereto, including the Revenue Bond Law of 1941, as made applicable by Article 6a of Chapter 6 of Division 6 of the Municipal Utility District Act, and with respect to the Series 2022B Bonds issued to refund outstanding bonds of the District, Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State (collectively, the "Act"), resolutions adopted by the District's Board of Directors and the Indenture.

Pledge of Subordinated Wastewater Revenues

Pursuant to the Indenture, the District has irrevocably pledged to the payment of the principal or redemption price of and interest on the Wastewater System Revenue Bonds, including the Series 2022 Bonds and any Parity Debt, all Subordinated Wastewater Revenues (as hereinafter defined) and all amounts held by the Trustee under the Indenture (except for amounts held in the Rebate Fund) subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

"Subordinated Wastewater Revenues" is generally defined in the Indenture to mean, for any fiscal period, the sum of (a) all charges received for, and all other income and receipts derived by the District from, the operation of the Wastewater System, or arising from the Wastewater System, together with income from the investment of any moneys in any fund or account established under the Senior Wastewater Bond Resolution relating to the District's Senior Wastewater Bonds or the Indenture; provided, however, there shall be excluded therefrom any amounts reimbursed to the District by the United States of America pursuant to Section 54AA of the Code or any future similar program (collectively, "Wastewater Revenues") for such fiscal period, plus (b) the amounts, if any, withdrawn by the District from the Rate Stabilization Fund established under the Senior Wastewater Bond Resolution for treatment as Wastewater Revenues for such fiscal period, less the sum of (c) all Wastewater Operation and Maintenance Costs (as hereinafter defined) for such fiscal period, (d) the amounts, if any, withdrawn by the District from Wastewater Revenues for such fiscal period for deposit in the Rate Stabilization Fund, and (e) all amounts required to be paid under the Senior Wastewater Bond Resolution for principal, interest, reserve fund and any other debt service requirements on the Senior Wastewater Bonds as the same become due and payable. **There are no Senior Wastewater Bonds currently outstanding and the District has covenanted pursuant to the Twelfth Supplemental Indenture that it will not issue any Senior Wastewater Bonds in the future.** See "– Outstanding Wastewater System Revenue Obligations – *No Senior Wastewater Bonds*" below.

The District may deposit into, or withdraw amounts from time to time held in, the Rate Stabilization Fund within 120 days after the end of the applicable Fiscal Year. Amounts deposited into the Rate Stabilization Fund shall be deducted from Wastewater Revenues for such Fiscal Year. Amounts withdrawn from the Rate Stabilization Fund shall be included in Wastewater Revenues for such Fiscal Year and may be applied for any purposes for which Wastewater Revenues generally are available. All interest and earnings upon deposits in the Rate Stabilization Fund will not be held therein, but will be treated and accounted for as Wastewater Revenues. The amount on deposit in the Rate Stabilization Fund as of April 30, 2022 was $32,000,000.

"Wastewater Operation and Maintenance Costs" is generally defined in the Indenture to mean the reasonable and necessary costs of maintaining and operating the Wastewater System, calculated on sound accounting principles, including (among other things) the reasonable expenses of management, repair and other expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and reasonable amounts for administration, overhead, insurance, taxes and other similar costs, but excluding in all cases depreciation and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature, and excluding all costs paid from the proceeds of taxes received by the District.

"Parity Debt" means any indebtedness, installment sale obligation, lease obligation or other obligation of the District for borrowed money or interest rate swap agreement having an equal lien and charge upon the Subordinated Wastewater Revenues and therefore payable on a parity with the Wastewater System Revenue Bonds (whether or not any Wastewater System Revenue Bonds are Outstanding).

The Series 2022 Bonds are not payable from or secured by the revenues of the Water System of the District.

The Series 2022 Bonds are special obligations of the District, payable solely from and secured by a pledge of Subordinated Wastewater Revenues. Neither the full faith and credit nor the taxing power of the District is pledged to the payment of the Series 2022 Bonds or the interest thereon.

Allocation of Subordinated Wastewater Revenues Under the Indenture

In accordance with the Indenture, all Subordinated Wastewater Revenues, when and as received by the District, shall be deposited into a fund to be established and maintained by the District designated as the "Revenue Fund." So long as any Wastewater System Revenue Bonds are Outstanding, the District will transfer the moneys in the Revenue Fund into the following respective funds (established, maintained and held by the Trustee in trust for the benefit of the Owners of the Wastewater System Revenue Bonds) in the following order of priority; provided, that on a parity with such deposits the Trustee may set aside or transfer amounts with respect to outstanding Parity Debt as provided in the proceedings for such Parity Debt (which deposits shall be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Wastewater System Revenue Bonds and such Parity Debt):

Interest Fund. The District will transfer to the Trustee to be set aside in the Interest Fund on or before the Business Day prior to each interest payment date an amount equal to the interest becoming due and payable on the Outstanding Wastewater System Revenue Bonds (excluding any interest for which there are moneys on deposit in the Interest Fund from the proceeds of any Series of Wastewater System Revenue Bonds or other source to pay such interest).

Principal Fund; Sinking Accounts. The District shall transfer to the Trustee to be set aside in the Principal Fund on or before the Business Day prior to each principal or sinking account payment date an amount equal to the amount of Bond Obligation (as defined in the Indenture) plus the Mandatory Sinking Account Payments becoming due and payable on such date. All Mandatory Sinking Account Payments shall be made without priority of any payment into any one such sinking account over any other such payment.

Bond Reserve Funds. Upon the occurrence of any deficiency in any bond reserve fund established pursuant to the Indenture for any Series of Wastewater System Revenue Bonds, the District shall transfer to the Trustee and the Trustee shall set aside in such bond reserve fund an amount equal to the aggregate amount of each unreplenished prior withdrawal from such bond reserve fund until there is on deposit in such bond reserve fund an amount equal to the respective reserve requirement for such bond reserve fund. There is no bond reserve fund being established in connection with the Series 2022 Bonds. See "– No Bond Reserve Fund for Series 2022 Bonds" below.

The requirements of each such fund (including the making up of any deficiencies in any such fund resulting from a lack of Subordinated Wastewater Revenues sufficient to make any earlier required deposit) at the time of deposit is to be satisfied before any deposit is made to any other fund subsequent in priority. The Indenture provides that any Subordinated Wastewater Revenues remaining in the Revenue Fund after the foregoing transfers, except as otherwise provided in a Supplemental Indenture, shall be held free and clear of the Indenture by the District. The District may use and apply such Subordinated Wastewater Revenues for any lawful purpose of the District, including the redemption of Wastewater System Revenue Bonds upon the terms and conditions set forth in a Supplemental Indenture relating to such Wastewater System Revenue Bonds and the purchase of Wastewater System Revenue Bonds as and when and at such prices as it may determine.

Under the Indenture the District may enter into an interest rate swap agreement corresponding to the interest rate or rates payable on a Series of Wastewater System Revenue Bonds or any portion thereof and the amounts received by the District or the Trustee, if any, pursuant to such an interest rate swap agreement may be applied to the deposits required under the Indenture. If the District so designates, amounts payable under the interest rate swap agreement shall be secured by Subordinated Wastewater Revenues and other assets pledged under the Indenture to the Wastewater System Revenue Bonds on a parity basis therewith.

For further information regarding the allocation of Subordinated Wastewater Revenues with respect to the Wastewater System Revenue Bonds, see APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of Subordinated Wastewater Revenues."

No Bond Reserve Fund for Series 2022 Bonds

There is no bond reserve fund being established in connection with the Series 2022 Bonds and amounts on deposit in any bond reserve fund for any other Series of Wastewater System Revenue Bonds are not available for the payment of, and do not in any manner secure, the Series 2022 Bonds.

Rate Covenant

The District has covenanted under the Indenture that it will, at all times while any of the Wastewater System Revenue Bonds remain Outstanding, fix, prescribe and collect rates, fees and charges in connection with the services and facilities furnished by the Wastewater System so as to yield Wastewater Revenues in each Fiscal Year sufficient so that the Subordinated Wastewater Revenues for such year shall be at least equal to 1.1 times the amount of Debt Service on all Wastewater System Revenue Bonds and Parity Debt for such Fiscal Year. See APPENDIX C – "SUMMARY OF CERTAIN

PROVISIONS OF THE INDENTURE – Certain Definitions” for the definition of Debt Service under the Indenture.

Outstanding Wastewater System Revenue Obligations

No Senior Wastewater Bonds. Pursuant to Resolution No. 30051 adopted by the Board of Directors of the District on January 26, 1982 (as amended and supplemented, the “Senior Wastewater Bond Resolution”), the District authorized the issuance, from time to time, of bonds of the District designated as “East Bay Municipal Utility District Wastewater Treatment System Revenue Bonds” (the “Senior Wastewater Bonds”) and secured by a pledge of, and first lien on, the Net Revenues (as defined in the Senior Wastewater Bond Resolution) of the District’s Wastewater System, generally being all of the Wastewater Revenues (adjusted for deposits to and withdrawals from the Rate Stabilization Fund) after payment of Wastewater Operation and Maintenance Costs thereof, all on the terms and conditions set forth in the Senior Wastewater Bond Resolution. At the time of the initial execution and delivery of the Indenture in 1990, the Indenture did not preclude the District from issuing additional Senior Wastewater Bonds pursuant to the Senior Wastewater Bond Resolution. The District last issued Senior Wastewater Bonds in 1986 and all outstanding Senior Wastewater Bonds were retired in 1997. **There are currently no Senior Wastewater Bonds outstanding. Pursuant to the Twelfth Supplemental Indenture, the District has covenanted and agreed that it will not issue any Senior Wastewater Bonds in the future pursuant to the Senior Wastewater Bond Resolution.**

Outstanding Wastewater System Revenue Bonds and Parity Debt. As of April 30, 2022, the District had Outstanding $347,890,000 aggregate principal amount of Wastewater System Revenue Bonds (collectively, the “Outstanding Wastewater System Revenue Bonds”) issued under and pursuant to the Indenture. All of the District’s Outstanding Wastewater System Revenue Bonds are fixed rate bonds. See APPENDIX A – “THE EAST BAY MUNICIPAL UTILITY DISTRICT (THE WASTEWATER SYSTEM) – WASTEWATER SYSTEM FINANCES – Outstanding Debt.”

The District’s $150,000,000 Outstanding Wastewater System Revenue Bonds, Series 2010B were issued as “Build America Bonds” that are “qualified bonds” under the provisions of the American Recovery and Reinvestment Act of 2009. For the purpose of calculating Debt Service, Annual Debt Service and Maximum Annual Debt Service under the Indenture, to the extent interest on such Build America Bonds is reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code, or any future similar program (such interest subsidy payments being referred to herein as “BABs Interest Subsidy Payments”), then in making such calculations, interest payments with respect to the Build America Bonds shall be reduced by the amount of such interest reasonably anticipated to be paid or reimbursed by the United States of America. Pursuant to Federal sequestration legislation passed by Congress in 2011 and 2013, Federal subsidy payments for direct-pay bonds, including Build America Bonds, have been reduced (by formula) from the original funding subsidy level of 35% of interest costs on direct-pay bonds, including Build America Bonds. The sequestration reduction rate of the Federal subsidy payment for Build America Bonds is 5.7% for the Federal government’s fiscal year 2022 (which began on October 1, 2021 and ends on September 30, 2022), and this means that BABs Interest Subsidy Payments sought by the District for its Build America Bonds will be reduced by this percentage. This reduction will increase the District’s net interest cost. The sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise affects the sequester, at which time the sequestration reduction rate is subject to change. At present, pursuant to Federal legislation, sequestration will continue through fiscal year 2030. The District can give no assurance regarding the level of subsidy payments or changes in the sequestration rate, if any, in the future, or whether Congress will adopt legislation in the future that will further reduce subsidy payments for direct-pay bonds, including Build America Bonds. Under the Indenture, the District is obligated to make all interest payments on the Wastewater System Revenue Bonds without regard to the receipt of any federal BABs Interest Subsidy Payments by the District.

The Outstanding Wastewater System Revenue Bonds, together with any additional Wastewater System Revenue Bonds issued under the Indenture (including the Series 2022 Bonds), and any Parity Debt (which may include payment obligations under interest rate swap agreements) heretofore or hereafter issued or incurred in accordance with the Indenture, are on a parity as to the pledge of and lien on Subordinated Wastewater Revenues.

Parity State Loans. The District participates from time-to-time in the Clean Water State Revolving Fund loan program administered by the State Water Resources Control Board (the "SWRCB"), which was established to provide below-market rate financing for qualified water quality infrastructure projects in the State. Under this program, the District has from time-to-time entered into loan contracts with the SWRCB (the "State Loans") payable from the Wastewater Revenues. The District currently has no outstanding State Loans payable from Wastewater Revenues.

State Loans entered into under the SWRCB low interest rate loan program generally provide that such State Loans shall be either senior to or on a parity with all future debt of the recipient thereof. Any future State Loans received by the District would likely constitute Parity Debt under the Indenture.

Subordinate Commercial Paper. The District maintains two commercial paper note programs. Under the District's extendable municipal commercial paper program, commercial paper may be issued at prevailing interest rates for periods of not more than 120 days from the date of issuance with the option by the District to extend the maturity for another 150 days. The extendable municipal commercial paper program is not supported by any liquidity or revolving credit agreement. As of April 30, 2022, the District had outstanding $9,300,000 aggregate principal amount of tax-exempt Extendable Municipal Commercial Paper Notes (Wastewater Series) issued for the benefit of the Wastewater System under the District's extendable municipal commercial paper program. Under the District's traditional commercial paper program, commercial paper notes may be issued at prevailing interest rates for periods of not more than 270 days from the date of issuance. In connection with its traditional commercial paper program, the District has covenanted to procure and maintain in effect for any series or subseries of commercial paper notes issued thereunder one or more liquidity facilities enabling it to borrow an aggregate amount at least equal to the principal amount of such series or subseries of commercial paper notes. As of April 30, 2022, the District had no Commercial Paper Notes (Wastewater Series) issued for the benefit of the Wastewater System under the District's traditional commercial paper program. Commercial paper notes issued for the benefit of the Wastewater System under either such program (and the District's repayment obligation for amounts borrowed, if any, under any applicable liquidity facility therefor), are payable from and secured by a pledge of Wastewater Revenues on a basis subordinate to the Wastewater System Revenue Bonds and Parity Debt. See APPENDIX A – "THE EAST BAY MUNICIPAL UTILITY DISTRICT (THE WASTEWATER SYSTEM) – WASTEWATER SYSTEM FINANCES – Outstanding Debt" for additional information regarding the District's authorized commercial paper note programs.

Issuance of Additional Wastewater System Revenue Bonds and Parity Debt; Junior and Subordinate Obligations

The Indenture provides conditions under which additional Series of Wastewater System Revenue Bonds or other Parity Debt payable from Subordinated Wastewater Revenues may be issued on a parity with the Outstanding Wastewater System Revenue Bonds. Among other conditions, the Indenture requires that the District shall have placed on file with the Trustee a certificate of the District certifying that the sum of: (1) the Subordinated Wastewater Revenues for any period of 12 consecutive months during the 18 months immediately preceding the date on which such additional Wastewater System Revenue Bonds or Parity Debt will become Outstanding; plus (2) 90% of the amount by which the District projects Subordinated Wastewater Revenues for such period of 12 months would have been increased had increases in rates, fees and charges during such period of 12 months been in effect throughout such period of 12 months; plus (3) 75% of the amount by which the District projects

Subordinated Wastewater Revenues will increase during the period of 12 months commencing on the date of issuance of such additional Series of Wastewater System Revenue Bonds due to improvements to the Wastewater System under construction (financed from any source) or to be financed with the proceeds of such additional Series of Wastewater System Revenue Bonds, shall have been at least equal to 1.1 times the amount of Maximum Annual Debt Service on all Wastewater System Revenue Bonds and Parity Debt then Outstanding and the additional Wastewater System Revenue Bonds or Parity Debt then proposed to be issued. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Certain Definitions" for the definition of Maximum Annual Debt Service and Debt Service under the Indenture.

Refunding Wastewater System Revenue Bonds may be authorized and issued by the District without compliance with the provisions described above, subject to the terms and conditions of the Indenture, including the condition that Maximum Annual Debt Service on all Wastewater System Revenue Bonds and Parity Debt outstanding following the issuance of such refunding Wastewater System Revenue Bonds is less than or equal to Maximum Annual Debt Service on all Wastewater System Revenue Bonds and Parity Debt outstanding prior to the issuance of such refunding Wastewater System Revenue Bonds. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Refunding Bonds."

The District has in the past, and may from time-to-time in the future, enter into interest rate swap agreements corresponding to the interest rate or rates payable on a Series of Bonds or any portion thereof. Any such interest rate swap agreements may contain such security and payment provisions, including collateral posting obligations and early termination provisions, as determined by the District and subject to any conditions contained in the Indenture. Pursuant to the Indenture, if the District so designates, amounts payable under an interest rate swap agreement may be secured by Subordinated Wastewater Revenues and other assets pledged under the Indenture on a parity basis with the Wastewater System Revenue Bonds and other Parity Debt.

Pursuant to the Indenture, the District may incur obligations which are junior and subordinate to the payment of the principal, redemption price, interest and reserve fund requirements for the Wastewater System Revenue Bonds and all Parity Debt and which subordinated obligations are payable as to principal, redemption price, interest and reserve fund requirements, if any, only out of Subordinated Wastewater Revenues after the prior payment of all amounts then required to be paid under the Indenture from Subordinated Wastewater Revenues for principal, redemption price, interest and reserve fund requirements for the Wastewater System Revenue Bonds and all Parity Debt, as the same become due and payable and at the times and in the manner as required in the Indenture or the instrument authorizing such Parity Debt, as applicable.

Investment of Moneys in Funds and Accounts Under the Indenture

All moneys held in any of the funds and accounts held by the Trustee and established pursuant to the Indenture shall be invested, as directed by the District, solely in Investment Securities (see APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Certain Definitions" for the definition of Investment Securities under the Indenture). If and to the extent the Trustee does not receive investment instructions from the District with respect to the moneys in such funds and accounts, such moneys shall be invested in a cash sweep or similar account arrangement of or available to the Trustee described in clause (xi) of the definition of Investment Securities.

Unless otherwise provided in a Supplemental Indenture, all interest, profits and other income received from the investment of moneys in any fund or account other than the Rebate Fund shall be transferred to the Revenue Fund when received; provided, however, that an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account from which such accrued interest was paid.

Limitations on Remedies

The ability of the District to comply with its covenants under the Indenture and to generate Wastewater Revenues sufficient to pay the principal of and interest on the Series 2022 Bonds may be adversely affected by actions and events outside of the control of the District. Furthermore, any remedies available to the owners of the Series 2022 Bonds upon the occurrence of an event of default under the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. In addition, enforceability of the rights and remedies of the owners of the Series 2022 Bonds, and the obligations incurred by the District under the Series 2022 Bonds and the Indenture, 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 creditor's rights generally, now or hereafter in effect; equity 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 Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Series 2022 Bonds 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.

See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default; Remedies" for additional information regarding events of default under the Indenture and the remedies available to owners of the Bonds pursuant to the terms thereof.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS AND FEES AND CHARGES

Tax Limitations – Proposition 13

Article XIIIA of the State Constitution, known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIIIA limits the maximum *ad valorem* tax on real property to 1% of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State statutes. Section 1(b) of Article XIIIA provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest or redemption charges on (1) indebtedness approved by the voters prior to July 1, 1978, and (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition.

Section 2 of Article XIIIA defines "full cash value" to mean the county assessor's valuation of real property as shown on the 1975-76 Fiscal Year tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except to pay debt service on indebtedness approved by the voters as described above. Such legislation further provides that each county will levy the maximum tax permitted by Article XIIIA, which is $1.00 per $100 of assessed market value. The legislation further establishes the method for allocating the taxes collected by each county among the taxing agencies in the county. Special districts, such as the District, receive an allocation that is based primarily upon their tax levies in certain years prior to the amendment's effective date relative to the tax levies of other congruent agencies. The District receives approximately 1.25% of the non-debt service property taxes collected within its jurisdiction from Alameda and Contra Costa counties. See also APPENDIX A – "THE EAST BAY MUNICIPAL UTILITY DISTRICT (THE WASTEWATER SYSTEM) – WASTEWATER SYSTEM FINANCES – Property Tax Revenues."

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the District.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

The effect of Article XIIIA on the District's finances has been to restrict *ad valorem* tax revenues for general purposes to the statutory allocation of the 1% levy while leaving intact the power to levy *ad valorem* taxes in whatever rate or amount may be required to pay debt service on its outstanding general obligation bonds and unissued bonds authorized prior to July 1, 1978. The District has had no outstanding general obligation bonds for the Wastewater System since such bonds were fully retired on April 1, 2018.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIIIA.

For a description of the property tax collection procedure and certain statistical information concerning tax collections and delinquencies, see APPENDIX A – "THE EAST BAY MUNICIPAL UTILITY DISTRICT (THE WASTEWATER SYSTEM) – WASTEWATER SYSTEM FINANCES – Property Tax Revenues."

Spending Limitations

At the statewide special election of November 6, 1979, the voters approved an initiative entitled "Limitation of Government Appropriations" which added Article XIIIB to the California Constitution. Under Article XIIIB, State and local governmental entities have an annual "appropriations limit" which limits the ability to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations." Article XIIIB does not affect the appropriation of moneys which are excluded from the definition of "appropriations subject to limitation." Among the exclusions is an "appropriation of any special district which existed on January 1, 1978, and which did not as of the 1977-78 Fiscal Year levy an *ad valorem* tax on property in excess of 12.5 cents per $100 of assessed value." In the opinion of the District's General Counsel, the appropriations of the District are excluded from the limitations of Article XIIIB under this clause.

Proposition 62

A statutory initiative ("Proposition 62") was adopted by the voters voting in the State at the November 4, 1986 General Election which (1) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity, (2) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction, (3) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (4) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIIIA, (5) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities and (6) requires that any tax imposed by a local governmental entity on or after March 1, 1985 be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988.

Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which contain a number of provisions affecting the ability of local governments to levy and collect both existing and future taxes, assessments, fees and charges.

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

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

Article XIIID provides that nothing in Proposition 218 shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The California Supreme Court decisions in *Richmond v. Shasta Community Services District*, 32 Cal. 4th 409 (2004) ("Richmond"), and *Bighorn Desert View Water Agency v. Verjil*, 39 Cal. 4th 206 (2006) ("Bighorn") have clarified uncertainty surrounding the applicability of Section 6 of Article XIIID to service fees and charges. In Richmond, the California Supreme Court upheld a Court of Appeal decision that water connection fees (which included a capacity charge for capital improvements to the water system and a fire suppression charge) imposed by the Shasta Community Services District were not property related fees or charges subject to Article XIIID because a water connection fee results from the property owner's voluntary decision to apply for the connection. In both Richmond and Bighorn, however, the Court stated that a fee for ongoing water service through an existing connection is imposed "as an incident of property ownership" within the meaning of Article XIIID, rejecting, in Bighorn, the water agency's argument that consumption based water charges are not imposed "as an incident of property ownership" but as a result of the voluntary decisions of customers as to how much water to use.

The District has followed the notice, hearing and protest procedures in Article XIIID in connection with wastewater rate increases since its Fiscal Year 2008 rate increases, and plans to follow such notice, hearing and protest procedures in connection with future rate increases.

In addition to the procedural requirements of Article XIIID, under Article XIIID all property-related fees and charges, including those which were in existence prior to the passage of Proposition 218 in November 1996, must meet the following substantive standards:

(1) Revenues derived from the fee or charge cannot exceed the funds required to provide the property-related service.

(2) Revenues derived from the fee or charge must not be used for any purpose other than that for which the fee or charge was imposed.

(3) The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership must not exceed the proportional cost of the service attributable to the parcel.

(4) No fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Fees or charges based on potential or future use of a service are not permitted. Standby charges, whether characterized as charges or assessments, must be classified as assessments and cannot be imposed without compliance with Section 4 of Article XIIID (relating to assessments).

(5) No fee or charge may be imposed for general governmental services including, but not limited to, police, fire, ambulance or library services where the service is available to the public at large in substantially the same manner as it is to property owners.

The California Fourth District Court of Appeal decision in *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano,* 235 Cal.App.4th 1493 (2015), clarified that tiered rate structures, or inclining block rates, that go up progressively are compatible with the cost of service limitations of Article XIIID when each tier reflects the actual costs of service for property owners falling in such tier. The court held that the City of San Juan Capistrano's water rates violated Article XIIID because the city failed to meet its burden of proof in demonstrating that its tiered water rates corresponded to the actual costs of providing service to each tier at a given level of usage. On May 19, 2015, the City of San Juan Capistrano announced that the city and the San Juan Capistrano Taxpayers Association, Inc. had reached a settlement, under the terms of which the city agreed that it would not seek review by the California Supreme Court of the Appellate Court decision. Similar water rate challenges under Proposition 218 have been reported to have been filed from time-to-time against other public agencies in California. The District is unable to predict the outcome of any such ongoing litigation or any future litigation under Proposition 218 that may follow.

It is District policy to conduct periodic cost of service studies for its rates and charges. The District believes that its established rates for wastewater service comply with the substantive standards of Article XIIID. However, due to the uncertainties of evolving case law and potential future judicial interpretations of Proposition 218, the District is unable to predict at this time whether Proposition 218 could be interpreted, for example, to further limit fees and charges for wastewater services and/or to require stricter standards for the allocation of costs among customers and customer classes. See APPENDIX A – "THE EAST BAY MUNICIPAL UTILITY DISTRICT (THE WASTEWATER SYSTEM) – WASTEWATER SYSTEM FINANCES – Rates and Charges."

Article XIIIC. Article XIIIC provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIIIC does not define the terms "local tax," "assessment," "fee" or "charge." On July 24, 2006, the California Supreme Court held in *Bighorn-Desert View Water Agency v. Verjil* that the provisions of Article XIIIC applied to rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations. The District and its General Counsel do not believe that Article XIIIC grants to the voters within the District the power to repeal or reduce rates and charges in a manner that would be inconsistent with the contractual obligations of the District.

The interpretation and application of Proposition 218 will likely be subject to further judicial determinations, and the District is unable to predict the outcome of such determinations, or what, if any, further implementing legislation will be enacted. No assurance can be given that the courts will not further interpret Article XIIIC and Article XIIID to limit the ability of the District to impose, levy, charge and collect increased fees and charges for wastewater services, or the voters of the District will not, in the future, approve initiatives which seek to repeal, reduce or prohibit the future imposition or increase of assessments, fees or charges, including the District's wastewater service fees and charges, which are the source of Subordinated Wastewater Revenues pledged to the payment of debt service on the Series 2022 Bonds.

Proposition 26

Proposition 26, which amended Articles XIIIA and XIIIC of the California Constitution, was approved by the electorate at the November 2, 2010 election. Proposition 26 imposes a majority voter approval requirement on local governments such as the District with respect to certain fees and charges for general purposes, and a two-thirds voter approval requirement with respect to certain fees and charges for special purposes, unless the fees and charges are expressly excluded. Proposition 26, according to its supporters, was intended to prevent the circumvention of tax limitations imposed by the voters in California Constitution Articles XIIIA, XIIIC and XIIID pursuant to Proposition 13, approved in 1978, Proposition 218, approved in 1996, and other measures. Proposition 26 expressly excludes from its scope "a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable cost to the local government of providing the service or product" and "assessments and property-related fees imposed in accordance with the provisions of Article XIIID." The District believes that its wastewater fees and charges meet the criteria for exclusion under Proposition 26 and that the initiative is not intended to, and would not, apply to fees for wastewater services charged by the District. The District is unable to predict, however, how Proposition 26 will be interpreted by the courts or what its ultimate impact will be.

Other Initiatives

Articles XIIIA, XIIIB, XIIIC and XIIID and Propositions 62 and 26 were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiatives have been and could be proposed and adopted affecting the District's revenues or ability to increase revenues. Neither the nature and impact of these measures nor the likelihood of qualification for ballot or passage can be anticipated by the District.

CERTAIN RISK FACTORS

This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Series 2022 Bonds. The ability of the District to pay principal of and interest on the Series 2022 Bonds depends primarily upon the District's receipt of Subordinated Wastewater Revenues. Any one or more of the risk factors discussed below, among others, could adversely affect the ability of the District to realize Subordinated Wastewater Revenues in amounts sufficient to satisfy the requirements of the Indenture and make timely payments of principal of or interest on the Series 2022 Bonds and/or lead to a decrease in the market price and/or in the marketability of the Series 2022 Bonds. The order in which this information is presented does not necessarily reflect the relative importance of various risks or the probability of their occurrence. Further, there can be no assurance that other risk factors not discussed herein will not become material and the District has not undertaken to update investors about the emergence of the risk factors in the future. This section is provided for convenience and is not meant to be a comprehensive or definitive discussion of all of the risks associated with an investment in the Series 2022 Bonds. Many of the risk factors identified below are more fully discussed elsewhere in this Official Statement. Potential investors are advised to read the entire Official Statement, including the appendices hereto, to obtain information essential to making an informed investment decision.

Limited Obligations; General

The Series 2022 Bonds are special limited obligations of the District payable solely from and secured solely by a pledge of Subordinated Wastewater Revenues of the District. Neither the full faith and credit nor the taxing power of the District is pledged for the payment of the Series 2022 Bonds or the interest thereon. The Series 2022 Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the District's property or its income, receipts or revenues, except the Subordinated Wastewater Revenues. See "SECURITY FOR THE SERIES 2022 BONDS."

The ability of the District to generate Subordinated Wastewater Revenues in amounts sufficient to pay principal of and interest on the Series 2022 Bonds and all other Outstanding Wastewater System Revenue Bonds and Parity Debt may be adversely affected by actions and events outside the control of the District. Among other matters, general and local economic conditions and changes in law and government regulations (including initiatives and moratoriums on growth) could adversely affect the amount of Wastewater Revenues that the District receives or significantly increase Wastewater Operation and Maintenance Costs. Wastewater System rates and charges are calculated in part based upon metered water volumes. As a result, water deliveries at less than expected levels could result in lower than expected Subordinated Wastewater Revenues. Further, the realization of future Subordinated Wastewater Revenues by the District is subject to, among other things, the capabilities of management of the District, the ability of the District to provide wastewater services to its customers, and the ability of the District to establish, maintain and collect rates and charges sufficient to pay for Wastewater Operation and Maintenance Costs, debt service on Wastewater System Revenue Bonds, and other obligations payable from such Wastewater Revenues. See APPENDIX A – "THE EAST BAY MUNICIPAL UTILITY DISTRICT (THE WASTEWATER SYSTEM) – WASTEWATER SYSTEM FINANCES."

No Bond Reserve Fund

No bond reserve fund has been established for the Series 2022 Bonds. Amounts on deposit in any bond reserve fund established with respect to any other Series of the District's Wastewater System Revenue Bonds do not secure and are not available for the payment of the Series 2022 Bonds. See "SECURITY FOR THE SERIES 2022 BONDS."

Limitations on Rate-Setting

The generation of Subordinated Wastewater Revenues sufficient to satisfy the requirements of the Indenture and to pay the principal of and interest on the Series 2022 Bonds and all other Wastewater System Revenue Bonds and Parity Debt will require the District to periodically raise the wastewater rates and charges payable by its customers. The increase or imposition of retail wastewater rates is subject to various substantive and procedural requirements and limitations, including Proposition 218, which added Article XIIIC and XIIID to the State Constitution. Proposition 218 further authorizes the exercise of the initiative power by voters to repeal or reduce wastewater rate and charges. The District's adopted retail wastewater rates for Fiscal Years 2022 and 2023 have been imposed in accordance with the notice, hearing and protest procedures provided for under Proposition 218. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS AND FEES AND CHARGES" and APPENDIX A – "THE EAST BAY MUNICIPAL UTILITY DISTRICT (THE WASTEWATER SYSTEM) – WASTEWATER SYSTEM FINANCES – Rates and Charges."

Statutory and Regulatory Compliance

The construction and operation of wastewater facilities and the discharge of wastewater are highly regulated activities. Federal, state and local standards and regulations are subject to change. In the event the District were to fail to comply with applicable laws and regulations, significant fines and penalties could be imposed by such agencies. In addition to claims by private parties, changes in the scope and standards for public agency wastewater systems such as the Wastewater System may also lead to administrative orders issued by federal or State regulators. Future compliance with new statutory and regulatory requirements or orders concerning matters such as water quality, discharge requirements and biosolids management could require significant capital investments and/or increases in Wastewater Operation and Maintenance Costs. See APPENDIX A – "THE EAST BAY MUNICIPAL UTILITY DISTRICT (THE WASTEWATER SYSTEM) – THE WASTEWATER SYSTEM –Regulatory Matters."

Costs of Capital Improvement Program; Construction Risks

As described herein, during the Fiscal Years 2022 through 2026, the District's capital improvement program for the Wastewater System is projected to require cash expenditures of approximately $243.2 million. The actual cost of acquiring and constructing the various components of the planned capital improvements to the Wastewater System will depend on a variety of factors, including but not limited to potential rising costs or shortages of labor or materials, the discovery of unforeseen subsurface conditions, natural hazards or seismic events encountered during construction, severe weather conditions, access to financial markets or other events outside the control of the District. There can be no assurances that costs for acquisition and construction of capital improvements to the Wastewater System will not significantly exceed the amounts projected by the District. See APPENDIX A – "THE EAST BAY MUNICIPAL UTILITY DISTRICT (THE WASTEWATER SYSTEM) – THE WASTEWATER SYSTEM – Capital Improvement Program."

Casualty Risks

California is subject to geotechnical and extreme weather conditions which represent potential safety hazards, including floods, expansive soils, wildfires, high winds and areas of potential liquefaction and landslide. Natural disasters, including earthquakes, floods, wildfires, high winds, or man-made disasters or accidents, could cause failure of Wastewater System infrastructure or otherwise interrupt operation of the Wastewater System and thereby impair the ability of the District to generate Wastewater Revenues. The severity and/or frequency of natural disaster occurrences may be exacerbated by the impacts of climate change. The occurrence of such events could also result in liability claims against the District. Under the doctrine of inverse condemnation (a legal concept that entitles property owners to just compensation if their property is damaged by a public use), California courts have imposed liability on utilities in legal actions brought by property holders for damages caused by the utility's infrastructure. Thus, if certain facilities of the District, such as its wastewater conveyance facilities, are determined to be the substantial cause of damage to property from sewer system overflows and flooding or otherwise, and the doctrine of inverse condemnation applies, the District could be liable for property damages in certain cases without having been found negligent.

The Indenture requires the District to maintain public liability insurance and insurance on the Wastewater System against such risks as and in such amounts as the District deems prudent taking into account insurance coverage for similar utilities but only if it is obtainable at rates deemed reasonable by the District and upon terms and conditions deemed reasonable by the District. The District uses a combination of self-funding/self-insuring and insurance coverage in the District's risk management program; however, the program does not provide coverage for every conceivable risk of loss. The District's insurance program does not currently include earthquake coverage. Further, in the event of material damage to Wastewater System facilities, there can be no assurance that any insurance proceeds will be sufficient to rebuild or replace such facilities.

See APPENDIX A – "THE EAST BAY MUNICIPAL UTILITY DISTRICT (THE WASTEWATER SYSTEM) – THE WASTEWATER SYSTEM – Seismic Matters" and " – Insurance."

Climate Change

One of the factors that may pose a risk to the operations of the District's Wastewater System is climate change. Numerous scientific studies on global climate change show that, among other effects on the global ecosystem, sea levels will rise, and extreme temperatures and extreme weather events will become more frequent as a result of increasing global temperatures attributable to atmospheric pollution. The effects of global climate change are expected to increase the risk of inundation at low-lying wastewater facilities as sea levels rise. In addition, higher intensity storms are expected in California as a result of climate change, which are projected to result in potentially higher peak wet weather flow events. The District has incorporated climate change into its planning activities. See APPENDIX A – "THE EAST BAY MUNICIPAL UTILITY DISTRICT (THE WASTEWATER SYSTEM) – THE WASTEWATER SYSTEM – Wastewater Facilities" and "– Climate Change."

Cybersecurity; Other Safety and Security Risks

Cybersecurity breaches could damage the District's information and security systems and cause material disruption to its operations. The occurrence of military conflicts and terrorist activities, including cyber terrorism, could also adversely impact the operations of the Wastewater System or the finances of the District. Foreign state-sponsored and other cyber-activities may increase during periods of geo-political conflict such as the ongoing conflict in Ukraine. United States government agencies have in the past issued warnings indicating that critical infrastructure sectors such as water and wastewater systems may be specific targets of cybersecurity threats. Attacks directed at critical sector operations could damage assets, cause operational malfunctions and outages, and result in costly recovery and remediation efforts. The District maintains active security (including information security) and emergency preparedness programs and has a number of security measures and safeguards in place. However, there can be no assurance that any existing or additional safety and security measures will prove adequate in the event that military conflicts or terrorist activities, including cyber terrorism, or acts of malfeasance are directed against the assets of the Wastewater System or the information technology systems of the District. The costs of security measures or of remedying damage from security breaches could be greater than presently anticipated. See APPENDIX A – "THE EAST BAY MUNICIPAL UTILITY DISTRICT (THE WASTEWATER SYSTEM) – THE WASTEWATER SYSTEM – Security and Emergency Preparedness; Cybersecurity."

COVID-19 Considerations; Infectious Disease Outbreak

The outbreak of COVID-19, a respiratory disease caused by a new highly transmissible strain of coronavirus, has been declared as a pandemic by the World Health Organization. The pandemic has affected many parts of the world, including the United States and the State of California. Commerce, travel, asset values and financial markets experienced disruptions worldwide. Although governmental-imposed stay-at-home orders and restrictions on operations of schools and businesses implemented to respond to and control the outbreak have largely been eased or eliminated in California, new variants of the disease continue to emerge and restrictions may be re-imposed in various jurisdictions from time to time as local conditions warrant. Further, it is not known with certainty when a full resumption of normal economic conditions will occur. It is widely expected that the negative effects of the COVID–19 pandemic and its aftermath on global, national and local economies will continue at least for some period of time. Due to the essential nature of the services provided by the District's Wastewater System, the District has not experienced a significant, materially adverse impact on its annual revenues or operations as a result of COVID-19. However, given the remaining uncertainties surrounding the COVID-19 pandemic and its impacts, no assurances can be given that the District and the economy of its service area will not be adversely affected in the future. Another national or localized outbreak of highly contagious or epidemic disease in the future could also negatively impact the District's operations and finances and/or the economy of its service area. For additional information regarding the impacts of COVID-19 on the District, see APPENDIX A – "THE EAST BAY MUNICIPAL UTILITY DISTRICT (THE WASTEWATER SYSTEM) – THE DISTRICT – COVID-19."

Uncertainties of Projections, Forecasts and Assumptions

Certain information contained in this Official Statement is based upon assumptions and projections. Projections and assumptions are inherently subject to significant uncertainties. Inevitably, some assumptions will not be realized and unanticipated events and circumstances may occur and actual results are likely to differ, perhaps materially, from those projected. Accordingly, such projections are not necessarily indicative of future performance. See "FORWARD–LOOKING STATEMENTS" on page (c) of the inside cover pages of this Official Statement. See also APPENDIX A – "THE EAST BAY MUNICIPAL UTILITY DISTRICT (THE WASTEWATER SYSTEM) – WASTEWATER SYSTEM FINANCES – Projected Operating Results."

Limitations on Remedies

Upon the occurrence and continuance of an Event of Default under the Indenture, the registered owners of not less than a majority in aggregate principal amount of the Wastewater System Revenue Bonds at the time outstanding are entitled to declare the principal of all of such Wastewater System Revenue Bonds and the interest accrued thereon to be immediately due and payable. However, in the event of a default and such acceleration, there can be no assurance that the District will have sufficient Subordinated Wastewater Revenues available for payment of all of the Wastewater System Revenue Bonds. In addition, enforceability of the rights and remedies of the owners of the Series 2022 Bonds, and the obligations incurred by the District under the Series 2022 Bonds and the Indenture, 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 creditor's rights generally, now or hereafter in effect; equity 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 Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose.

If the District fails to comply with its covenants under the Indenture or to pay the principal of and interest on the Series 2022 Bonds, there can be no assurance that the available legal remedies will be adequate to protect the interests of the owners of the Series 2022 Bonds. See "SECURITY FOR THE SERIES 2022 BONDS – Limitations on Remedies" and APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default; Remedies."

Green Bonds

The designation of the Series 2022A Bonds as Green Bonds is not based upon the receipt by the District of any third-party certification relating to the status of the Series 2022 Bonds as Green Bonds. The terms "Green Bonds" and "green project" are neither defined in nor related to provisions in the Indenture or otherwise defined under State or federal laws. The use of such terms herein is for identification purposes only and is not intended to provide or imply that an owner of the Series 2022A Bonds is entitled to any additional security other than as provided in the Indenture. The Series 2022A Bonds are being designated by the District as "Green Bonds" consistent with the District's Green Bond Guidance approved by the District Board. However, there can be no assurance that the green projects funded with the proceeds of the Series 2022A Bonds will meet an investor's expectations regarding sustainability performance. The purpose of labeling the Series 2022A Bonds as "Green Bonds" is, as noted, to allow owners of the Series 2022A Bonds to invest directly in bonds that are expected to finance environmentally beneficial projects. The District assumes no obligation to ensure that these projects comply with any legal or other principles of green projects as such principles may evolve over time. See "PLAN OF FINANCE – Series 2022A Bonds Designation as Green Bonds."

Tax Law Proposals; Risk of Audit

Existing law may change so as to reduce or eliminate the benefit to beneficial owners of the Series 2022 Bonds of the exclusion of interest thereon from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Series 2022 Bonds.

The IRS has initiated an expanded program for the auditing of tax-exempt securities issues, including both random and target audits. It is possible that the Series 2022 Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series 2022 Bonds might be affected as a result of such an audit of the Series 2022 Bonds (or by an audit of similar securities). See "TAX MATTERS."

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Agreement, dated the date of delivery of the Series 2022 Bonds, by and between the District and the Dissemination Agent, the District will covenant and agree for the benefit of the holders and beneficial owners of the Series 2022 Bonds to provide in an Annual Report certain financial information and operating data relating to the District and the Wastewater System by not later than December 31 of each year in which the Series 2022 Bonds are outstanding (or if the District's fiscal year changes, by no later than six months after the end of such Fiscal Year), commencing with the Annual Report for Fiscal Year 2021-22, and to provide notices of the occurrence of certain specified events. The Annual Report and the notices of specified events will be filed by the Dissemination Agent on behalf of the District with the Municipal Securities Rulemaking Board through EMMA. The Municipal Securities Rulemaking Board has made such information available to the public without charge through such internet portal. The specific nature of the information to be contained in the Annual Report and the notices of specified events is set forth in APPENDIX F – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

As of the date hereof, the District is in compliance in all material respects with its continuing disclosure undertakings for the last five years. Filings through EMMA are linked to a particular issue of obligations by CUSIP number (which is subject to change after the issuance of obligations as a result of various subsequent actions). The District uses its best efforts to confirm that each report filed through EMMA is linked to all the correct 9-digit CUSIP numbers. However, as a technical matter, it has come to the District's attention that certain filings during the past five years, when made, were not appropriately linked to all applicable CUSIP numbers. The District has since linked the applicable filings to the additional CUSIPs.

LITIGATION

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the District in the issuance and delivery of, or in any way contesting or affecting the validity of, the Series 2022 Bonds or the Indenture, or the pledge of Subordinated Wastewater Revenues under the Indenture, or contesting or affecting the power or authority of the District to impose rates and charges for services of the Wastewater System. There is no litigation known to be pending, or to the knowledge of the District, threatened, questioning the existence of the District or the title of the officers of the District to their respective offices.

At any given time, including the present, there are certain other claims and lawsuits against the District that arise in the course of operations of the Wastewater System. Certain of such matters could, if determined adversely to the District, affect expenditures by the District, and in some cases, Wastewater Revenues. The District is also a party to various other legal proceedings affecting the Wastewater System. See APPENDIX A – "THE EAST BAY MUNICIPAL UTILITY DISTRICT (THE WASTEWATER SYSTEM) – THE WASTEWATER SYSTEM" for a discussion of certain of such matters. In the view of the District's management and General Counsel, there is no litigation pending against the District, or other ongoing legal proceedings to which the District is a party, which if determined adversely to the District, would individually or in the aggregate materially impair the District's ability to pay debt service on its indebtedness, including the Series 2022 Bonds.

RATINGS

S&P Global Ratings ("S&P") and Moody's Investors Service, Inc. ("Moody's") have assigned the Series 2022 Bonds the ratings of "AAA" and "Aa1," respectively. Each of S&P's and Moody's rating outlook with respect to the Series 2022 Bonds is "stable." No application has been made to any other rating agency for the purpose of obtaining any additional rating on the Series 2022 Bonds. Any desired explanation of such ratings should be obtained from the rating agency furnishing the same. Generally, rating agencies base their ratings on information and materials furnished to them and on investigations, studies and assumptions by the rating agencies. There is no assurance that any rating or rating outlook ascribed thereto will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such change in or withdrawal of such ratings may have an adverse effect on the market price of the Series 2022 Bonds.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, and Curls Bartling P.C., Co-Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Series 2022 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Co-Bond Counsel, interest (and original issue discount) on the Series 2022 Bonds is exempt from State of California personal income tax.

Co-Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Series 2022 Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2022 Bonds to assure that interest (and original issue discount) on the Series 2022 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Series 2022 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2022 Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Series 2022 Bond Owner's original basis for determining loss on sale or exchange in the applicable Series 2022 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Series 2022 Bond Owner's basis in the applicable Series 2022 Bond (and the amount of tax-exempt interest received with respect to the Series 2022 Bonds), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Series 2022 Bond Owner realizing a taxable gain when a Series 2022 Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2022 Bond to the Owner. Purchasers of the Series 2022 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The difference between the issue price of a Series 2022 Bond (the first price at which a substantial amount of the Series 2022 Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity of such Series 2022 Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Series 2022 Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Series 2022 Bond Owner will increase the Series 2022 Bond Owner's basis in the applicable Series 2022 Bond. The amount of original issue discount that accrues to the Owner of a Series 2022 Bond is excluded from the gross income of such Series 2022 Bond Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

The IRS has initiated an expanded program for the auditing of tax exempt bond issues, including both random and targeted audits. It is possible that the Series 2022 Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series 2022 Bonds might be affected as a result of such an audit of the Series 2022 Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Series 2022 Bonds to the extent that it materially adversely affects the exclusion from gross income of interest (and original issue discount) on the Series 2022 Bonds or their market value.

It is possible that subsequent to the issuance of the Series 2022 Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Series 2022 Bonds or the market value of the Series 2022 Bonds. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the Series 2022 Bonds. No assurance can be given that subsequent to the issuance of the Series 2022 Bonds such changes (or other changes) will not be introduced or enacted or interpretations will not occur. Before purchasing any of the Series 2022 Bonds, all potential purchasers should consult their tax advisors regarding possible statutory changes or judicial or regulatory changes or interpretations, and their collateral tax consequences relating to the Series 2022 Bonds.

Co-Bond Counsel's opinions with respect to the Series 2022 Bonds may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Co-Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Series 2022 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Co-Bond Counsel is provided with respect thereto. Co-Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Series 2022 Bond if any such action is taken or omitted based upon the advice of counsel other than Co-Bond Counsel.

Although Co-Bond Counsel has rendered their opinions that interest (and original issue discount) on the Series 2022 Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Series 2022 Bonds and the accrual or receipt of interest (and original issue discount) on the Series 2022 Bonds may otherwise affect the tax liability of certain persons. Co-Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Series 2022 Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series 2022 Bonds.

A copy of the form of the opinions of Co-Bond Counsel relating to the Series 2022 Bonds is included in APPENDIX D hereto.

UNDERWRITING

The Series 2022 Bonds are being purchased by Siebert Williams Shank & Co., LLC, as underwriter of the Series 2022 Bonds (the "Underwriter"), pursuant to and subject to the conditions set forth in the bond purchase contract between the District and the Underwriter, at a purchase price of $____________ (equal to the $__________ aggregate principal amount of the Series 2022 Bonds, plus original issue premium of $__________, less an Underwriter's discount of $___________). The bond purchase contract provides that the Underwriter will purchase all of the Series 2022 Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the bond purchase contract.

The Underwriter may offer and sell the Series 2022 Bonds to certain dealers (including dealers depositing Series 2022 Bonds into investment trusts) and others at prices lower than the respective public offering prices stated or derived from information stated on the inside cover pages hereof. The initial public offering prices may be changed from time to time by the Underwriter.

CERTAIN RELATIONSHIPS

The Underwriter and its affiliates are independent non-bank financial services firms that offer investment banking, sales and trading, research, and advisory services. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District, for which they received or will receive customary fees and expenses.

In addition, in the ordinary course of sales, trading, brokerage and financing activities, the Underwriter and its affiliates may at any time hold long or short positions, and may trade or otherwise effect transactions, for their own accounts or the accounts of customers, in debt or equity securities and financial instruments, as applicable, of the District and other governmental entities and utilities. In connection with these activities and the provision of other services, the Underwriter may be or become creditors of such entities.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the offering of the Series 2022 Bonds are subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, and Curls Bartling P.C., Oakland, California, Co-Bond Counsel. Certain legal matters will be passed upon for the District by its General Counsel and by Stradling Yocca Carlson & Rauth, a Professional Corporation, and Curls Bartling P.C., as Co-Disclosure Counsel, and for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, San Francisco, California. The form of the approving opinions of Co-Bond Counsel, in connection with the issuance of the Series 2022 Bonds is included as APPENDIX D– "PROPOSED FORM OF CO-BOND COUNSEL OPINIONS" to this Official Statement.

MUNICIPAL ADVISOR

The District has retained Montague DeRose and Associates, LLC, Walnut Creek, California, as municipal advisor (the "Municipal Advisor") in connection with the issuance and delivery of the Series 2022 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

INDEPENDENT ACCOUNTANTS

Included as APPENDIX B – "EAST BAY MUNICIPAL UTILITY DISTRICT AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020" to this Official Statement are the audited financial statements of the District for the Fiscal Years ended June 30, 2021 and 2020. The District's financial statements for the Fiscal Years ended June 30, 2021 and 2020 have been audited by Lance, Soll & Lunghard, LLP, certified public accountants. Lance, Soll & Lunghard, LLP has not been requested to consent to the inclusion of its report in APPENDIX B and it has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Lance, Soll & Lunghard, LLP with respect to any event subsequent to the date of its report.

It is District policy to competitively select and retain independent accountants on a periodic basis. Following a competitive selection process and District Board approval, Lance, Soll & Lunghard, LLP began serving as the District's independent accountants in Fiscal Year 2019. The District exercised its option to extend the contract with Lance, Soll & Lunghard, LLP on March 22, 2022 to serve as independent accountants pursuant to the contract terms for an additional two-year period for the fiscal years ending June 30, 2022 and 2023.

MISCELLANEOUS

References made herein to certain documents and reports are brief summaries thereof and do not purport to be complete or definitive and reference is hereby made to such documents and reports for a full and complete statement of the contents thereof.

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 is not to be construed as a contract or agreement between the District and the purchasers or registered owners of any of the Series 2022 Bonds. The delivery and distribution of this Official Statement have been duly authorized by the District.

EAST BAY MUNICIPAL UTILITY DISTRICT

By____

General Manager

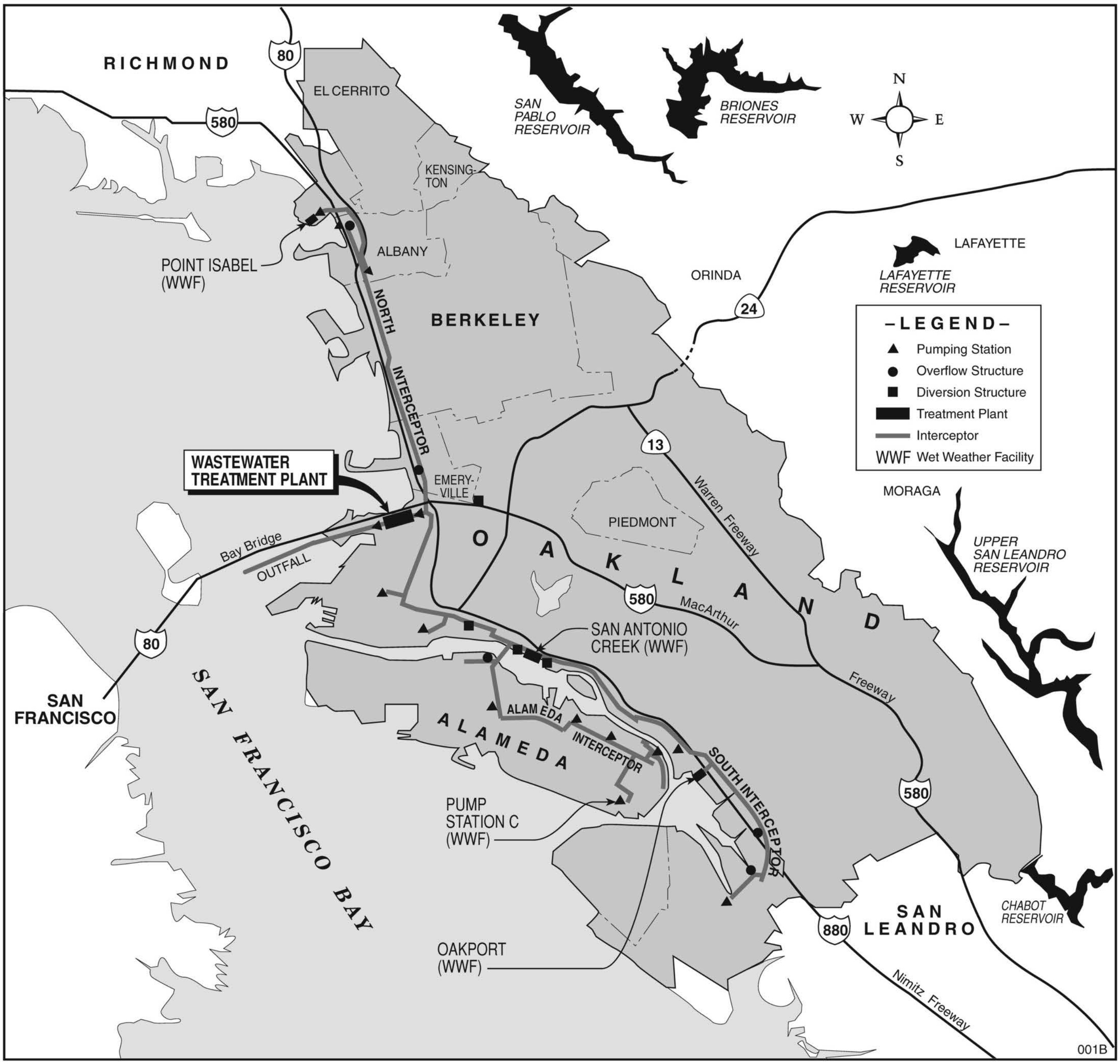
APPENDIX A

THE EAST BAY MUNICIPAL UTILITY DISTRICT

(THE WASTEWATER SYSTEM)

The East Bay Municipal Utility District occupies 332 square miles of the San-Francisco-Oakland metropolitan region. The Wastewater System serves approximately 740,000 persons in an area designated as Special District No. 1, which covers approximately 88 square miles primarily within Alameda County.

EAST BAY MUNICIPAL UTILITY DISTRICT
WASTEWATER SYSTEM
(SPECIAL DISTRICT NO. 1)



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THE DISTRICT

Organization

In May 1923, voters in cities along the eastern shore of the San Francisco Bay located in portions of Alameda and Contra Costa Counties (known throughout the San Francisco Bay Area as the “East Bay”) elected to create the East Bay Municipal Utility District (the “District”) under the provisions of the Municipal Utility District Act. Under the Municipal Utility District Act, municipal utility districts are empowered to acquire, construct, own, operate or control works for supplying the district and public agencies in the territory of the district with light, water, power, heat, transportation, telephone service or other means of communications, means for the collection, treatment or disposition of garbage, sewage or refuse matter, and public recreation facilities appurtenant to its reservoirs and may do all things necessary and convenient to the full exercise of powers granted in the Municipal Utility District Act. The District presently exercises only those functions relating to water supply, power generation and recreational facilities through its Water System, and sewerage and wastewater interception, treatment and disposal and power generation through its Wastewater System, within an area known as Special District No. 1. Special District No. 1 covers only a portion of the service area of the District. The District presently does not intend to exercise other functions. Such other functions and the related facilities, if exercised, would not constitute part of the Water System or the Wastewater System.

District Board

The District, a public agency, is governed by an elected seven-member Board of Directors (the “Board” or “District Board”) which determines such matters as rates and charges for services, approval of contracts and District policy. Voters elect directors by ward to four-year terms. There are seven wards which together cover the entire service area of the District. Each year, the Board elects from among its members persons to serve as Board officers (i.e., President and Vice President). The current members of the District Board have an average service tenure of approximately 22 years. Each of the multi-term Board members has served one or more years as an officer of the Board and has chaired one or more of the Board’s standing committees that review financial, long-range planning, and legislative matters. The following persons currently serve on the Board:

Doug A. Linney has served on the Board since 2000 and represents Ward 5, which includes the Alameda County cities of Alameda and San Lorenzo, the West Oakland and Oakland Airport Area, and a portion of San Leandro. Mr. Linney is currently President of the Board. He is active in a number of community and environmental organizations, including the California League of Conservation Voters, Friends of the River and ZEV2030, a zero emission vehicle advocacy organization. Mr. Linney is employed as President of The Next Generation, a public relations firm providing services that emphasize achieving environmental protection. Mr. Linney has a Bachelor of Science degree in Environmental Science and Public Policy from the University of California, Davis. His current term expires on December 31, 2024.

John A. Coleman has served on the Board since 1990 and represents Ward 2, which includes the Contra Costa County cities of Alamo, Lafayette and Walnut Creek, the Town of Danville, the communities of Blackhawk and Diablo, and portions of Pleasant Hill and San Ramon. Mr. Coleman is currently Vice President of the Board. Mr. Coleman represents the District on the governing boards of the Freeport Regional Water Authority and the Upper Mokelumne River Watershed Authority, as well as the DSRSD/EBMUD Recycled Water Authority (“DERWA”) and the Los Vaqueros Reservoir Joint Powers Authority. Mr. Coleman also serves as a board member of East Bay Leadership Council and as a member of the San Francisco Bay Restoration Authority Advisory Committee. He is also a past president of the Association of California Water Agencies (“ACWA”) board of directors and the California Association of Sanitation Agencies, a past Chair of ACWA's Federal Affairs Committee, and a past Chair of ACWA's California Finance Water Task Force. Mr. Coleman is employed as the Chief Executive Officer of the Bay Planning Coalition, which represents maritime and shoreline interests and issues in northern California. He has a Bachelor of Science degree in Natural Resources from the University of California, Berkeley and a certificate in management from the University of Pacific School of Business and Public Administration. His current term expires on December 31, 2022.

Andy Katz has served on the Board since 2006 and represents Ward 4, which includes Albany, Berkeley, Emeryville and North Oakland in Alameda County, and El Cerrito and Kensington in Contra Costa County. Mr. Katz is employed as an environmental and workers' rights attorney. He is Chair of the Berkeley Community Health Commission and a former Chair of Sierra Club California. Prior to his election to the District Board, he served for five years as a member of the City of Berkeley Zoning Adjustments Board. Mr. Katz has a Bachelor of Arts degree and a Master of City Planning degree from the University of California, Berkeley, and a law degree from Santa Clara University. His current term expires on December 31, 2022.

Lesa R. McIntosh has served on the Board since 1999 and represents Ward 1, which includes the Contra Costa County cities of Crockett, Hercules, Rodeo and San Pablo; portions of Richmond and Pinole, and the communities of North Richmond and Selby. Ms. McIntosh represents the District at the Special Districts Association of Contra Costa County and the Los Vaqueros Reservoir Joint Powers Authority. She is a member of the Contra Costa County Bar Association, East Bay Community Development Corporation, and Black Women Organized for Political Action. Ms. McIntosh is an attorney with more than 30 years of experience. She has a Bachelor of Science degree in Political Science from the University of California, Berkeley and a law degree from John F. Kennedy University. Ms. McIntosh's current term expires on December 31, 2024.

Frank G. Mellon has served on the Board since 1994 and represents Ward 7, which includes the areas of Castro Valley, communities of Cherryland and Fairview; portions of San Leandro and Hayward in Alameda County, and a portion of San Ramon in Contra Costa County. Mr. Mellon also serves on the District's Retirement Board. He represents the District on the governing board of DERWA and on the Special Districts Association of Alameda County. Mr. Mellon is currently a consultant specializing in human resources and labor relations and has taught labor law in the California State University East Bay Human Resources Certificate Program. Mr. Mellon has a Bachelor of Arts degree in Management from the University of Hawaii and a Master degree in Business Administration from St. Mary's College in Moraga. His current term expires on December 31, 2022.

William B. Patterson has served on the Board since 1997 and represents Ward 6, which includes portions of Oakland, including East Oakland and the area south of Park Boulevard/5th Avenue to the San Leandro city boundary, in Alameda County. Mr. Patterson represents the District on the boards for the Upper Mokelumne River Watershed Authority and the Freeport Regional Water Authority. He also serves as a representative for the Business Forum and the Oakland Chamber of Commerce. Mr. Patterson is a current member of Oakland's Urban Strategies Council board and previously served on the Oakland Public Ethics and Parks and Recreation Commissions and the Oakland Workforce Investment Board. He retired several years ago, after working for many years as a City of Oakland Manager of Parks and Recreation. Mr. Patterson has Bachelor's and Master's degrees from San Francisco State University. His current term expires on December 31, 2024.

Marguerite Young was elected to the Board in 2014 and represents Ward 3, which includes the City of Piedmont and a portion of the City of Oakland in Alameda County, and the Contra Costa County, City of Orinda, the Town of Moraga, the community of El Sobrante, and portions of

Pinole and Richmond. She also serves on the District's Retirement Board. Ms. Young is the principal of Riverstream Consulting which provides strategic planning, research and policy guidance at the confluence of climate, labor and justice. She recently retired from the Service Employees International Union ("SEIU") where she was the Assistant Director for the union's Climate and Environmental Justice program. Prior to this she was Assistant Director and Senior Policy Analyst for the SEIU Capital Stewardship Program. Ms. Young was co-chair of the CALFED Bay-Delta Program's Water Quality Committee, which instigated regional cooperation among water agencies to address drinking water quality issues related to Bay-Delta water supplies. As California Director of Clean Water Action, her work also included service as an appointed member of California's Source Water Assessment Advisory Committee, the United States Environmental Protection Agency ("USEPA") Federal Advisory Committee on the Multiple Disinfection By-product Rule, and California's Recycled Water Task Force. She co-founded the League of Conservation Voters-East Bay and is a former board member of Friends of the River. Ms. Young has a Bachelor of Science degree in Natural Resource Economics from the University of California, Berkeley. Her current term expires on December 31, 2022.

District Management

Clifford C. Chan joined the District in 1997 and was appointed General Manager in 2020. Mr. Chan has nearly 25 years of water industry related experience. Prior to his appointment as General Manager, Mr. Chan served as the District's Director of Operations and Maintenance and was responsible for overseeing nearly one-half of the District's employees tasked with operating and maintaining the District's water system. Previously, he held engineering and management positions in the District's Operations and Maintenance Department, including serving as Manager of Maintenance and Construction. Before joining the District, Mr. Chan was employed as an engineering consultant. He serves on committees for the American Water Works Association and the California Urban Water Agencies. He has a Bachelor of Science degree and a Master's degree in Civil Engineering from the University of California, Berkeley and is a licensed Civil Engineer in California.

Derek T. McDonald joined the District in 2007 and was appointed General Counsel in 2021. Mr. McDonald has extensive experience in public agency law, including construction, public bidding and procurement, real estate, water rights, tort and contract litigation, the Public Records Act, and the Brown Act, having worked on a number of significant cases and issues for the District during his tenure in the District's Office of General Counsel. Before joining the District, he was a court research attorney and clerked for a law firm and a public defender's office. Mr. McDonald also worked with local and international nonprofit and nongovernmental organizations in the areas of youth development, environmental restoration, international elections and human rights advocacy. He has a Bachelor's degree in Sociology from the Boston College and a law degree from the University of San Francisco.

Sophia D. Skoda joined the District in 2006 and was appointed Director of Finance in 2015. Prior to her appointment as Director of Finance, Ms. Skoda served as Treasury Manager. In addition, Ms. Skoda has previously served as a Senior Civil Engineer for the District. Before joining the District, Ms. Skoda provided a range of financial consulting services to water and wastewater utility clients throughout California. She has a Bachelor of Science degree in Civil Engineering from Stanford University and a Master's degree in Civil Engineering from the University of California, Berkeley.

Olujimi Yoloye joined the District in 1985 and was appointed Director of Engineering and Construction in 2019. Mr. Yoloye is responsible for over 280 employees tasked with planning, design and construction of water system infrastructure. Prior to his current appointment, he held progressively more responsible positions managing engineering design and construction projects in the Water and Wastewater Departments. He has more than 30 years of experience in the engineering field. Mr. Yoloye has a Bachelor's degree in Civil Engineering from the University of Manchester Institute of Science and Technology (England) and a Master's degree in Civil Engineering from Stanford University and is a licensed Civil Engineer in California.

Michael T. Tognolini joined the District in 1996 and was appointed Director of Water and Natural Resources in 2018. Mr. Tognolini is responsible for managing divisions that develop and administer programs to protect existing water resources, develop additional water supplies and manage 57,000 acres of water, watershed lands and related facilities. During his tenure with the District, Mr. Tognolini has held a number of engineering and management positions in drought planning and water supply development in the Water and Natural Resources Department. He has more than 32 years of experience in the water industry. Mr. Tognolini has a Bachelor's degree and a Master's degree in Civil Engineering from Stanford University.

David Briggs joined the District in 2017 and is presently the Director of Operations & Maintenance and the Emergency Operations Director for the District. In this capacity he manages the operation and maintenance of water facilities and power generation facilities. Prior to joining the District, Mr. Briggs spent 10 years at the San Francisco Public Utilities Commission and 13 years at the Contra Costa Water District. He has been a manager since 2003. During his 27-year career, Dr. Briggs has developed experience in water resources, engineering, construction management, facilities planning, and operations and maintenance. He obtained his Bachelor's degree in mechanical engineering from UC Davis, and his Master's degree and Ph.D. from Stanford University, also in mechanical engineering. He is a licensed Civil Engineer in California.

Eileen M. White joined the District in 1987 and was appointed Director of Wastewater in 2017. Prior to that appointment, she held progressively more responsible positions managing the operations of the water system and managing engineering design and construction projects in the Wastewater and Water Departments. Prior to joining the District, Ms. White worked as a design engineer for Pacific Gas and Electric Company. She has more than 30 years of experience in the engineering field. Ms. White has a Bachelor of Science degree in Civil Engineering from the University of California, Berkeley and is a licensed Civil Engineer in California.

Rischa S. Cole joined the District in 1997 and was appointed Secretary of the District in 2017. Ms. Cole has served in a variety of lead administrative roles during her career at the District including Executive Assistant II in the Office of the Secretary and, prior to her appointment as Secretary, as Assistant to the General Manager. Ms. Cole received her Bachelor of Science degree in Business Administration from California State University, East Bay. She is a Member of the International Institute of Municipal Clerks and is completing requirements to obtain her credentials as a Certified Municipal Clerk.

Andrea M. Miller joined the District in 2020 as the Controller. She has more than 30 years of experience in accounting and finance and is responsible for oversight of the District's annual audit, accounting, and payroll. Prior to joining the District, Mrs. Miller served as Finance Director, Assistant Finance Director, and Budget Administrator for three other local governments. She serves on the California State Controller's Office Advisory Committee on Financial Reporting, and on the Government Finance Officers Association Committee on Governmental Budgeting and Fiscal Policy. Mrs. Miller has a Bachelor of Arts degree in Human Development with a minor in Business Administration from California State University, Hayward, and a Master of Public Administration degree from Golden Gate University.

Robert L. Hannay joined the District in 2018 as Treasury Manager. Mr. Hannay is responsible for the oversight of the District's debt management, investment management, and rate planning. Mr. Hannay additionally provides financial management support to the District's retirement system. Prior to joining the District, Mr. Hannay worked in consulting, at a rating agency, at a financial advisory firm, and in public finance investment banking. Mr. Hannay has a Bachelor of Science degree in Civil Engineering from Texas A&M University and Master's degrees in Civil Engineering and City Planning from the University of California, Berkeley. He is also a Chartered Financial Analyst (CFA) charterholder.

Samuel Feldman joined the District in 2021 as the District's Debt Administrator and was appointed Manager of Budget effective May 9, 2022. Prior to joining the District, Mr. Feldman was a local government rating analyst at Moody's Investors Service covering local governments in the West region. Prior to this, Mr. Feldman worked in the City Manager's Office of the City of Phoenix, Arizona and was part of the 61st class of the Phoenix Management Intern Program. Mr. Feldman has a Bachelor of Arts degree in Urban & Metropolitan Studies from Arizona State University and his Master's degree in Public Administration from Arizona State University, where he was a Marvin Andrews Fellow in Urban Management.

Employees and Employee Relations

As of January 1, 2022, the District had 1,680 (full-time equivalent) employees in the Water System and 267 (full-time equivalent) employees in the Wastewater System.

The District has four unions representing approximately 1,799 workers out of a total full-time equivalent workforce of 1,947 employees: Local 2019 of the American Federation of State, County and Municipal Employees ("AFSCME") represents white collar workers including professionals; Local 444 of AFSCME represents blue collar workers; Local 21, International Federation of Professional and Technical Engineers represents supervisory employees; and Local 39, International Union of Operating Engineers represents water treatment/distribution workers.

Each of Locals 444, 21, 39 and 2019 are operating under a Memorandum of Understanding (collectively, "MOUs"), approved by the District Board in 2022. The term of the MOUs with Local 444, 21 and 39 began on April 26, 2021 and extends through April 20, 2025. The term of the MOU with Local 2019 began on April 26, 2021 and extends through July 13, 2025. The MOUs are comprehensive in scope and provide for binding arbitration for the resolution of grievances. The District has not had a strike or work stoppage since 1985. For a discussion of the District Employees' Retirement System, see "WASTEWATER SYSTEM FINANCES – Employees' Retirement System."

Service Area

Originally formed to include nine cities covering 92.6 square miles, the District has grown by more than 450 separate annexations to a present area of 332 square miles in 20 incorporated and 15 unincorporated communities in both Alameda and Contra Costa Counties. It covers the eastern shore of San Francisco Bay from Carquinez Strait on the north to and including San Lorenzo on the south and it extends approximately 20 miles east, beyond the Oakland-Berkeley hills, into Contra Costa County.

The District's Water System serves this entire area, reaching approximately 50% of the combined population of Alameda County and Contra Costa County. Approximately two-thirds of the population within the District's service area resides in the cities of Alameda, Berkeley, Oakland, San Leandro, Richmond and Walnut Creek.

The Municipal Utility District Act was amended in 1941 to enable formation of special districts for wastewater service provision. In 1944, voters elected to form the District's Special District No. 1 to treat wastewater released into the San Francisco Bay. The District's Wastewater System presently serves approximately 740,000 people in an 88-square-mile area of the two counties along the east shore of the San Francisco Bay, extending from Richmond on the north, southward to Oakland's border with San Leandro. Domestic, commercial and industrial wastewater is treated for the six participating cities of Alameda, Albany, Berkeley, Emeryville, Oakland and Piedmont, and for the Stege Sanitary District (which includes El Cerrito, Kensington and part of Richmond) (collectively, the "participating agencies"). Each of these participating agencies operates a sewer collection system that discharges into the District's intercepting sewers. In addition to treating waste received from the participating agencies' sewer collection systems, the District accepts high-organic waste streams delivered in trucks. The wastes include domestic waste from septic tanks, fat, oil and grease from restaurants, and other food and drink wastes. The District's trucked-waste program continues to expand in the scope of wastes accepted. The District anaerobically digests the high-organic wastes with municipal solids to create renewable energy. This energy is used to power the wastewater treatment facility, with excess energy sold to the Port of Oakland under a power purchase agreement.

COVID-19

The spread of the novel strain of coronavirus (and variants thereof) and the disease it causes (known as "COVID-19") has had significant negative impacts throughout the world, including in the State of California (the "State"). In March 2020, the World Health Organization 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 in each of Alameda and Contra Costa Counties, major portions of which comprise the service areas of the District's Wastewater System. The purpose behind these declarations are to coordinate and formalize emergency actions and across federal, state and local governmental agencies, and to proactively prepare for a wider spread of the virus.

On March 19, 2020, in an effort to slow the spread of COVID-19, Governor Newsom issued Executive Order N-33-20 ordering individuals living in the State to stay home or at their place of residence except for specified exceptions, including exceptions for certain sectors of the workforce that were classified as providing essential services and products. The District's Water System and Wastewater System are in federally designated critical infrastructure sectors with exemptions under the Governor's Executive Order N-33-20. This classification permitted certain of the District's workforce to be excepted from the portion of Executive Order N-33-20 that ordered non-essential workers to remain in their place of residence. The District has continued to operate in accordance with the health guidelines established by Alameda and Contra Costa Counties, the State of California, and the federal government. The District's ability to provide water and wastewater services and to conduct billing and collection functions continued without interruption. Adequate staffing levels were maintained, construction and maintenance activities continued and necessary supplies were received without detrimental delays. As of the date of this Official Statement, the District has not experienced significant material adverse impacts to its annual revenues or operations as a result of COVID-19.

To help mitigate the economic impact of COVID-19 on its customers, beginning in March 2020, the District restored water service to residential customers in occupied residences whose service was discontinued for non-payment during the state of emergency, and suspended the discontinuance of water services due to non-payment. The District's action was consistent with Executive Order N-42-20, signed by Governor Newsom on April 2, 2020. The District has not yet determined when the discontinuance of water services for non-payment may be re-imposed. The District also has in place certain extended payment plans for the payment of past due water and wastewater charges, and a Customer Assistance Program, which provides discounts to qualified low-income customers, to further assist its customers.

From Fiscal Year 2018-19 to Fiscal Year 2020-21, the number of accounts delinquent for more than 100 days increased from 1% of customers to approximately 3% of customers.

The District was notified on May 13, 2022 that it was awarded $3.7 million under the California State Water Resources Control Board ("SWRCB") California Water and Wastewater Arrearage Payment Program ("CWWAPP") for Wastewater System accounts that have fallen behind during the period of March 4, 2020 through June 15, 2021. The disbursement of funding is expected by the District to occur by June 30, 2022.

The District was allocated approximately $9.9 million under the same program to aid the Water System accounts that have fallen behind during the period of March 4, 2020 through June 15, 2021, which in turn is expected by the District to lower the amount of accounts receivable. In addition, $116 million in funds was allocated from the American Rescue Plan Act to the California Department of Community Services and Development for the Low-Income Household Water Assistance Program ("LIHWAP") to provide benefit payments for eligible households with service disconnected or pending shut-off. Under this program, customers seeking assistance are required to apply directly through the LIHWAP and if approved, benefit payments will be made to the District to be applied as a bill credit to the applicable customer account. The anticipated statewide rollout of LIHWAP benefit payments is expected to begin in May 2022 to eligible households.

With widespread vaccination currently underway in the United States and many countries worldwide, the governmental-imposed stay-at-home orders and restrictions on operations of schools and businesses implemented to respond to and control the outbreak have generally been lifted; however, new variants of the disease continue to emerge and the State and local governments located within the State have from time-to-time implemented temporary measures and restrictions meant to suppress increases in the number of COVID-19 cases. No assurance can be given that governmental authorities will not reinstate the prior, more restrictive measures in the event that the COVID-19 outbreak worsens. In addition, the pace of the resumption of normal economic conditions and the economic recovery are uncertain and no assurance can be given that the District's operations or finances will not be negatively impacted in the future. To date, the District does not believe the impacts of the COVID-19 pandemic will have a material adverse impact on its ability to pay debt service on its bonds or other debt obligations.

Taxation of the District

All property of the District within the District's boundaries generally is exempt from property taxation. District-owned land outside of the District's boundaries is taxable, but improvements constructed on that land by the District are not taxable. As a public agency, the District is exempt from the payment of State income taxes and federal income taxes.

THE WASTEWATER SYSTEM

General

The District's Wastewater System provides regional wastewater conveyance, treatment, and disposal services for an area within the District designated as Special District No. 1. Special District No. 1, a separate district within the District governed by the Board, was established in 1944 and is administered by the District's Wastewater Department. The Wastewater System began operations in 1951.

Special District No. 1 intercepts, treats and disposes of wastewater within its wastewater service area, which includes the six participating cities of Alameda, Albany, Berkeley, Emeryville, Oakland and Piedmont, and the Stege Sanitary District. Each of the participating agencies maintains its own separate sanitary sewer system (*i.e.*, a system designed to transport sewage separate from the pipe system constructed to convey storm water runoff directly to surface waters), and is responsible for collecting and conveying wastewater to the District interceptors. The participating agencies and Special District No. 1 operate under separate National Pollutant Discharge Elimination System ("NPDES") permits issued by the Regional Water Quality Control Board San Francisco Bay Region (the "Regional Board") and are separately responsible for failures of their own collection, conveyance and/or disposal systems.

In addition to treating wastewater received from the participating agencies through their collection systems, the District also treats high-organic waste streams delivered to District facilities in trucks through its resource recovery program. The trucked wastes include domestic waste from septic tanks, industrial and commercial process wastes, fat, oil and grease from restaurants and other food and drink wastes. See "– Resource Recovery" below.

Table 1 shows the population trends for the seven largest cities within the District's Wastewater System service area, Alameda and Contra Costa Counties and the State for the five years 2017 to 2021.

Table 1
SEVEN LARGEST CITIES IN DISTRICT WASTEWATER SYSTEM SERVICE AREA
ALAMEDA, CONTRA COSTA COUNTIES AND CALIFORNIA
Population Trends(1)

	2017	*2018*	*2019*	*2020*	*2021*
Oakland	427,493	428,750	429,932	432,327	435,514
Berkeley	121,210	121,763	122,297	122,364	116,761
Alameda	80,947	81,195	81,457	81,135	80,884
El Cerrito	24,534	24,645	24,788	24,835	24,846
Albany	18,570	18,818	18,932	18,871	17,055
Piedmont	11,354	11,311	11,325	11,297	11,296
Emeryville	12,087	12,142	12,177	12,448	12,586
Total Seven Cities	696,195	698,624	700,908	703,277	698,942
Alameda County	1,644,303	1,651,760	1,659,608	1,663,114	1,656,591
Contra Costa County	1,137,577	1,143,188	1,147,623	1,149,853	1,153,854
California	39,352,398	39,519,535	39,605,361	39,648,938	39,466,855

(1) As of January 1 of each year. Includes the six participating cities and El Cerrito, the largest incorporated portion of the Stege Sanitary District service area.

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.

The total civilian labor force in Alameda and Contra Costa Counties, representing all people who work or are seeking work, totaled 1,355,100 in 2020 (the most recent full year information available). In 2020, the unemployment rate approximated 8.8% in Alameda County and 8.9% in Contra Costa County. In comparison, the unemployment rate averaged 10.1% in the State of California and 8.1% in the nation as a whole for the same period. These unemployment rates reflect the impact of the COVID-19 pandemic. As of December 2021, the preliminary unadjusted unemployment rate for Alameda County was 3.9% and was 4.2% for Contra Costa County.

Table 2 shows the labor force and employment trends for Alameda and Contra Costa Counties, the State and the United States for the five years 2016 to 2020.

Table 2
ALAMEDA COUNTY AND CONTRA COSTA COUNTY
Labor Force and Employment
Calendar Years 2016 through 2020[1]

Year and Area	Civilian Labor Force[2]	Employment	Unemployment	Unemployment Rate
2016				
Alameda County	831,800	796,000	35,800	4.3%
Contra Costa County	553,200	528,400	24,800	4.5
California	19,012,000	17,965,000	1,046,600	5.5
United States	159,187,000	151,436,000	7,751,000	4.9
2017				
Alameda County	838,700	807,700	31,000	3.7%
Contra Costa County	558,200	536,700	21,600	3.9
California	19,173,800	18,246,800	927,000	4.8
United States	160,320,000	153,337,000	6,982,000	4.4
2018				
Alameda County	841,500	815,700	25,800	3.1%
Contra Costa County	560,300	542,200	18,100	3.2
California	19,263,900	18,442,400	821,500	4.3
United States	162,075,000	155,761,000	6,314,000	3.9
2019				
Alameda County	841,100	815,900	25,200	3.0%
Contra Costa County	559,700	542,100	17,600	3.1
California	19,353,700	18,550,500	803,200	4.2
United States	163,539,000	157,538,000	6,001,000	3.7
2020				
Alameda County	813,800	742,400	71,400	8.8%
Contra Costa County	541,300	493,200	48,000	8.9
California	18,821,200	16,913,100	1,908,100	10.1
United States	160,742,000	147,795,000	12,947,000	8.1

(1) Most recent full calendar year information available.
(2) Total of Employment and Unemployment figures for any year and area may not add to corresponding Civilian Labor Force number due to rounding.
Sources: For State and County information, State of California Employment Development Department, California Labor Market Division. For U.S. information, U.S. Department of Labor, Bureau of Labor Statistics.

Median household income in Alameda and Contra Costa Counties exceeded $100,000 in 2020 (the most recent calendar year information available). This compares to a median household income in 2020 of approximately $83,000 in California and just over $67,000 in the United States.

Table 3 shows the median household income for Alameda and Contra Costa Counties, the State and the United States for the five years 2016 to 2020.

Table 3
ALAMEDA COUNTY AND CONTRA COSTA COUNTY
Median Household Income
Calendar Years 2016 through 2020[1]

	Year and Area	Median Household Income[2]
2016		
	Alameda County	$89,472
	Contra Costa County	90,920
	California	67,715
	United States	57,617
2017		
	Alameda County	$95,550
	Contra Costa County	95,062
	California	71,785
	United States	60,336
2018		
	Alameda County	$101,744
	Contra Costa County	101,463
	California	75,250
	United States	61,937
2019		
	Alameda County	$107,589
	Contra Costa County	106,555
	California	80,423
	United States	65,712
2020		
	Alameda County	$113,518
	Contra Costa County	106,484
	California	83,001
	United States	67,340

(1) Most recent full calendar year information available.
(2) Median Household Income values are not adjusted for inflation.
Source: U.S. Census Bureau, 1-Year American Community Surveys.

Wastewater Facilities

The District's existing Wastewater System facilities consist of, among other things, the District's Main Wastewater Treatment Plant in Oakland near the entrance of the San Francisco-Oakland Bay Bridge (the "Main Wastewater Treatment Plant") and interceptors and pumping stations for the conveyance of wastewater collected by the participating agencies to the Main Wastewater Treatment Plant, as well as certain wet weather facilities (the "Wet Weather Facilities") which are operated during wet weather events when flows from the participating agencies' collections systems exceed the capacity that can be treated at the Main Wastewater Treatment Plant.

The District's interceptors consist of 29 miles of reinforced concrete gravity pipeline, ranging from 18 inches to 9 feet in diameter, and 8 miles of pressure pipeline from pump stations. The interceptors collect wastewater from approximately 1,600 miles of public sewers owned and operated by the participating agencies. Fifteen pumping stations, ranging in capacity from 1.5 to 60 million gallons per day ("MGD"), lift wastewater throughout the interceptors as it travels to the District's Main Wastewater Treatment Plant for treatment prior to discharge of the treated effluent into the San Francisco Bay. The Main Wastewater Treatment Plant provides secondary treatment for permitted dry weather flow of up to 120 MGD and a maximum flow of 168 MGD during wet weather storm events. Primary treatment can be provided at the Main Wastewater Treatment Plant for a peak of up to 320 MGD, with peak influent hydraulic capacity of 415 MGD when utilizing an on-site 11 million gallon storage basin, a component of the District's Wet Weather Facilities, which is used to temporarily store peak storm flows in excess of the permitted limits for treatment at the Main Wastewater Treatment Plant after flows subside.

Primary treatment removes floating material, oils and greases, sand and silt and organic solids heavy enough to settle in water. Secondary treatment biologically removes most of the suspended and dissolved organic and chemical impurities that would otherwise reduce the oxygen content of the waters of the San Francisco Bay if allowed to decompose naturally. The treatment steps are pre-chlorination, screening, grit removal, primary sedimentation, secondary treatment using high-purity, oxygen-activated sludge, final clarification, biosolids digestion, dewatering and beneficial use of biosolids through land application at farm sites and as feedstock for compost and other fertilizer products. The treated effluent is then disinfected, dechlorinated and discharged one mile off the East Bay shore through a deep-water outfall into San Francisco Bay.

The annual average daily flow through the District's Main Wastewater Treatment Plant over the last five years has been approximately 58 MGD. See "– Wastewater Flows" below. Peak daily flows from the participating agencies' collection systems to the District's interceptors increase significantly during wet weather primarily due to inflow and infiltration. Inflow is water that enters a sewer system from sources such as roof leaders, yard drains, area drains, manhole covers, and cross-connections between storm sewers and sanitary sewers. Infiltration is water that enters the system from the ground (particularly when saturated due to storms or flooding) through such means as defective pipes, pipe joints, connections or manholes. Although the participating agencies' wastewater collection systems are all separate sanitary systems designed to transport only sewage (with a separate stormwater system in place to discharge stormwater runoff), all sewer systems have some degree of inflow and infiltration of surface water and groundwater.

District facilities designed to address increased flows during wet weather periods include three Wet Weather Facilities (Oakport, San Antonio Creek and Point Isabel), as well as five overflow structures located at Temescal Creek, Oakland Inner Harbor (Alice Street), Oakland Inner Harbor (Webster Street), Elmhurst Creek and San Leandro Creek.

The 158-MGD Oakport Wet Weather Facility, completed in 1990, provides primary treatment for peak wet weather flow diverted along the District's South Interceptor. Following primary treatment, effluent from this facility is currently disinfected and discharged to East Creek Slough in the lower San Francisco Bay. The 100-MGD Point Isabel Wet Weather Facility, completed in 1993, accepts peak wet weather flows from the District's North Interceptor, for primary treatment after which the effluent from this facility is currently disinfected and discharged to the central San Francisco Bay. The 51-MGD San Antonio Creek Wet Weather Facility, completed in 1996, provides preliminary treatment to wastewater diverted from the District's South Interceptor. The effluent from this facility is currently disinfected and discharged to the Oakland Inner Harbor, in lower San Francisco Bay. As described herein, the operations of the District's Wet Weather Facilities are subject to a NPDES permit issued by the Regional Board which prohibits the District from discharging flows from its Wet Weather Facilities to the San Francisco

Bay. See "– Regulatory Matters – *Litigation Relating to the District's Wet Weather Facilities NPDES Permit*" below.

The Wet Weather Facilities also serve as storage facilities. After a wet weather event, when the Main Wastewater Treatment Plant again has available capacity, wastewater flows stored in these facilities can be returned to the interceptors for transport to the Main Wastewater Treatment Plant for secondary treatment prior to discharge.

The District's Wet Weather Facilities increase the Wastewater System's wet weather capacity to 724 MGD.

During significant wet weather events, when the carrying capacity of the interceptors and/or the treatment capacity of the Main Wastewater Treatment Plant is exceeded or in the event of a major Wastewater System failure, the five overflow structures control the location of overflows and allow for the discharge of untreated sewage into the San Francisco Bay when necessary to avoid sanitary system overflows occurring in the collection system or at the Main Wastewater Treatment Plant. (A sanitary sewer overflow occurs when wastewater comes out of the sanitary sewer system, including when it enters a street, residence, business or yard. This is usually caused by blockage, failure or lack of capacity).

See also "– Regulatory Matters" below for a discussion of regulatory framework under which the District's wastewater facilities operate, including its Wet Weather Facilities, and certain litigation relating thereto.

Wastewater Flows

Table 4 presents a ten-year record of wastewater flows through the Main Wastewater Treatment Plant, expressed as the average daily flow for each Fiscal Year.

Table 4
AVERAGE DAILY WASTEWATER FLOW
(million gallons per day)

Fiscal Year Ended June 30	***Flow***
2012	62
2013	61
2014	56
2015	55
2016	56
2017	69
2018	54
2019	61
2020	61
2021	51

Source: The District.

Wastewater Source Control Program

The District's wastewater service area includes more than 19,000 commercial, industrial and institutional accounts. See "WASTEWATER SYSTEM FINANCES – Rates and Charges." In 1972, the District began a local source control program. Source control involves the removal of such toxics as heavy metals and organic pollutants before discharging wastes into the sewer system. The District's Wastewater Source Control Program issues permits and requires pretreatment of wastes by certain categories of industrial customers. The Wastewater Source Control Program has reduced approximately 93% of the toxic metals discharged into sewers, and the District's treatment process reduces the remaining toxic metals by approximately another 83%. These two steps together have reduced by approximately 99% the toxic metals discharged by the Wastewater System into the San Francisco Bay since 1974. Since 1988, the District has expanded its local source control program efforts to include pollution prevention. Currently, the District is focused on reducing the discharge into the District's Wastewater System of fats, oils, grease, non-flushable wipes, and contaminants of emerging concern, such as pharmaceuticals. The District's pollution prevention efforts consist primarily of education and outreach, including conducting live and self-guided treatment plant tours, distributing publications, attending outreach events, and collaborating with numerous partners. In addition, the District sponsors several take-back programs for fats, oils, grease and pharmaceuticals.

Biosolids Management

The solid, stabilized organic materials removed from the wastewater treatment process are called biosolids. The District generates approximately 75,000 wet tons per year of biosolids from wastewater treatment. Because there is no biosolids storage space available at the Main Wastewater Treatment Plant, each day's biosolids production must have a reliable daily destination for beneficial use. The District's biosolids from its Main Wastewater Treatment Plant are predominantly beneficially used through land application on farmland. Other end uses are compost feedstock and conversion to liquid fertilizer. Biosolids handling is managed under a contract, which has a scheduled expiration date of June, 30, 2022. The District is evaluating proposals for biosolids management services that would commence at the end of the current contract.

The District implemented a Biosolids Environmental Management System in July 2005 and received program certification from the National Biosolids Partnership ("NBP") in September 2006. Through ten years of participation in the program and the completion of successful external audits, the District developed a robust biosolids management system. In 2016, the District elected to withdraw from the formal NBP program in favor of maintaining a customized program that continues to focus on continuous improvement, environmental performance beyond meeting regulatory requirements, proactive communications, and implementation of corrective and preventive measures to address programmatic issues without a rigid external audit process. In addition to the District's internally-focused controls, District staff tracks regulatory, scientific, and public concern issues related to biosolids. In particular, District staff participates in monthly calls with the California Association of Sanitation Agencies Regulatory Workgroup.

In September 2016, Senate Bill 1383 ("SB 1383") was signed into law and established methane emissions reduction targets in a state-wide effort to reduce short-lived climate pollutants, such as methane. Among other things, SB 1383 set statewide targets to reduce 50% of organic waste going to landfills by 2020, and a 75% reduction of organic waste going to landfills by 2025 (based on 2014 levels). In addition, SB 1383 directed the State's Department of Resources Recycling and Recovery, in consultation with the California Air Resources Control Board, to develop regulations to achieve the organic waste reduction targets set forth in SB 1383. The regulations developed by the Department of Resources Recycling and Recovery became effective on January 1, 2022. SB 1383 and the related regulations significantly limit the ability to use biosolids as landfill alternative daily cover, a practice which the District undertook for several decades but tapered beginning in 2017. Biosolids management costs gradually increased as the District reduced the use of biosolids as landfill alternative daily cover. The District expects additional cost increases in connection with its biosolids management in Fiscal Year 2023 and beyond, as the District's new biosolids handling contract is expected to include terms that would fully eliminate the use of District biosolids as landfill alternative daily cover.

Consistent with the District's Integrated Main Wastewater Treatment Plant Master Plan and Board Policy 8.02, the District continues to undertake activities to ensure long-term, cost-effective, and beneficial use of biosolids produced at the Main Wastewater Treatment Plant. The District continues to advocate for the benefits of land application and explores alternative beneficial uses such as composting, conversion to biochar, thermal drying, and other technologies to diversify options for end uses. The District is active with industry associations at the State and national level to advocate for expanded beneficial use of biosolids. In 2017, the District joined the multi-agency Bay Area Biosolids Coalition dedicated to expanding sustainable uses for biosolids. This coalition has developed several pilot and demonstration scale facilities to test emerging technologies for biosolids processing.

Regulatory Matters

General Regulatory Framework. The construction and operation of wastewater treatment facilities and the discharge of wastewater are highly regulated activities. The two major laws governing the Wastewater System are the federal Clean Water Act enacted in 1972 (the "Clean Water Act") and the State's Porter-Cologne Act first enacted in 1969 (the "Porter-Cologne Act"). Both laws require that policies, plans, requirements and standards for discharges be developed for all water bodies in order to protect the beneficial uses of the water. The Clean Water Act also regulates the disposal of sewage sludge and authorizes the adoption of sediment standards. The Porter-Cologne Act specifically requires the adoption of sediment standards for enclosed bays and estuaries. In 2008, the State approved sediment quality objectives for enclosed bays and estuaries, including the San Francisco Bay.

The USEPA, the federal agency charged with implementation and enforcement of the Clean Water Act, has delegated much of the planning, permitting and enforcement activities to the states. In California, the SWRCB develops policies, plans, requirements and discharge standards for the three types of State waters: inland surface waters, enclosed bays and estuaries, and the ocean.

The Clean Water Act requires the adoption of criteria for priority toxic pollutants that may reasonably be expected to interfere with designated beneficial uses of the waters of the State. As they apply to inland surface waters, enclosed bays, and estuaries, these criteria are found in the California Toxics Rule ("CTR") promulgated by the USEPA in 2000 (40 C.F.R. §131.38), and are implemented by the SWRCB's "Policy for Implementation of Toxics Standards for Inland Surface Waters, Enclosed Bays, and Estuaries of California" (commonly known as the State Implementation Plan or "SIP") approved in 2000 and amended in 2005 (SWRCB Order No. 2005-0019). These two documents form the basis of the NPDES permitting process for Publicly Owned Treatment Works ("POTWs") in the State. The CTR provides the Water Quality Objectives for priority toxic pollutants and the SIP prescribes the methodology for determining whether a limit for a toxic pollutant should be included in a NPDES permit and the method for calculating the limit if one is needed.

In May 2006, the SWRCB adopted Statewide General Waste Discharge Requirements ("GWDR") for Sanitary Sewer Systems (SWRCB Order No. 2006-0003-DWQ). The GWDR is a proactive approach to ensure system-wide operation, maintenance and management plans to reduce sewer system overflows. Basic requirements of GWDR include on-line reporting of sewer system overflows and the development of a Sewer System Management Plan. In 2013, SWRCB issued Order No. WQ 2013-0058-EXEC, which amended the monitoring and reporting program of the GWDR to better advance the SWRCB's sewer overflow reduction objectives.

The Regional Board is the enforcement arm of the State and federal water pollution control programs in the San Francisco Bay region. The Regional Board issues NPDES permits under Section 401 of the Clean Water Act, and establishes waste discharge requirements under the Porter-Cologne Act. Discharge permits are issued for a five-year period. The District's Wastewater System currently has two NPDES permits, one for the Main Wastewater Treatment Plant and one for the Wet Weather Facilities.

The current NPDES permit for the Main Wastewater Treatment Plant (Regional Board Order No. R2020-0024) was reissued effective on November 1, 2020 and will expire on October 31, 2025. The NPDES permit for the Wet Weather Facilities (Regional Board Order No. R2-2020-0003) was most recently reissued effective on April 1, 2020 and will expire on March 31, 2025. See also "*– Litigation Relating to the District's Wet Weather NPDES Permit*" below.

Other Agencies with Regulatory Oversight Affecting the Wastewater System. Other regulatory agencies with approval or oversight responsibilities over the construction or operation of the Wastewater System include the Bay Area Air Quality Management District ("BAAQMD"), the Bay Conservation and Development Commission, the California Department of Public Health, and the U.S. Army Corps of Engineers. The roles these other agencies play with respect to operations of the Wastewater System are summarized as follows:

The Bay Area Air Quality Management District: responsible for administering and enforcing local, state and federal air emissions regulations and issues air permits under Title V of the federal Clean Air Act (the "Clean Air Act"). The District currently has a BAAQMD-issued Title V air permit for the Main Wastewater Treatment Plant which expires in 2024, as well as a number of permits to operate at its Wet Weather Facilities and pump stations. The Title V air permit is issued for a five-year period. Permits to operate for other facilities are generally issued annually.

The Bay Conservation and Development Commission: responsible for approving all projects undertaken within San Francisco Bay or within 100 feet of the mean high tide line of the Bay.

The California Department of Public Health: responsible for setting standards for the use of recycled water.

The U.S. Army Corps of Engineers: responsible for approving all construction projects undertaken within navigable waters of the United States.

District Permit Compliance History. As noted above, the District's Wastewater System currently has two NPDES permits, one for the Main Wastewater Treatment Plant, and one for the Wet Weather Facilities. As described below, operation of the District's Wet Weather Facilities is also subject to a Consent Decree effective as of September 22, 2014. Except where expressly authorized by permit, sewer system overflows and the discharge of partially treated or untreated wastewater that reach the surface waters of the U.S. are violations of the Clean Water Act and are subject to fines by the SWRCB and the Regional Board. Since 2000, the District has had fines imposed for unauthorized discharges and permit violations under its NPDES permits for the Wastewater System several times, which has resulted in fines totaling approximately $684,000. In addition, a fine of approximately $200,000 was imposed as part of the Consent Decree civil settlement. See "*–Litigation Relating to the District's Wet Weather Facilities NPDES Permit"* below. These fines related primarily to wet weather events. The District has also self-reported to the Regional Board four additional sewer system overflows between 2018 and 2021. Three for these sewer system overflows were above 10,000 gallons and the District currently expects to receive fines of approximately $25,000 per occurrence as stipulated in the Consent Decree. As of the date of this Official Statement, the Regional Board has not taken an enforcement action with respect to these violations, so there can be no assurance that the actual fines imposed by the Regional Board on the District will not exceed the estimated amount of $25,000 per violation. In October 2021, a significant unauthorized discharge occurred at the Point Isabel Wet Weather Facility during a large storm. The discharge consisted of 12.2 million gallons of chlorinated effluent and 4.3 million gallons of partially treated effluent. The District has investigated the cause of the discharge and has implemented several corrective actions, including an updated comprehensive dichlorination dosing procedure and program. The District expects the fine for this discharge to be issued in Fiscal Year 2022.

The District has had no NPDES effluent limit permit violations at its Main Wastewater Treatment Plant since August 1999.

The Main Wastewater Treatment Plant is also subject to a Major Facility Review Permit (also known as a Title V permit) issued by the BAAQMD pursuant to Title V of the Clean Air Act, the California Health & Safety Code, and BAAQMD regulations. The District has had three violations for the improper release of digester gas to the atmosphere during the last five years. Three other violations were also issued in the last five years for: (1) a torn vapor recovery hose on a gasoline dispenser, (2) an oxides of nitrogen exceedance from flare emissions, and (3) a failure to abate odors from the blend tank system for a period of 81 days. Fines imposed by BAAQMD in the last five years for the foregoing violations ranged between $500 to $16,000 each, totaling $33,500 in the aggregate. Several corrective actions have been implemented by the District, including equipment repairs, standard operating procedure updates, and other actions, to prevent the reoccurrence of the incidents that resulted in such violations.

Litigation Relating to the District's Wet Weather Facilities NPDES Permit. On January 12, 2007, the SWRCB on its own motion for review issued a draft order (the "Draft SWRCB Remand Order") reviewing the District's 2005 Wet Weather Facilities NPDES Permit (Regional Board Order No. R2-2005-0047) and concluding that the 2005 Wet Weather Facilities NPDES Permit and time schedule order (Regional Board Order No. R2-2005-0048, the "TSO") approved in connection with the issuance of the Wet Weather Facilities NPDES Permit by the Regional Board in September 2005 were inconsistent with the mandates of the Clean Water Act (33 U.S.C. §1251 et seq.) and the implementing USEPA Regulations (40 C.F.R. Part 123). The Draft SWRCB Remand Order concluded that the District's 2005 Wet Weather Facilities NPDES Permit failed to implement secondary treatment requirements and to ensure compliance with applicable water quality standards. Following a public hearing held on May 1, 2007, the SWRCB approved the Draft SWRCB Remand Order with slight modifications (SWRCB Order No. WQ 2007-0004, the "SWRCB Remand Order") and remanded the 2005 Wet Weather NPDES Permit and the TSO to the Regional Board for revisions consistent with the SWRCB Remand Order.

On January 14, 2009, the Regional Board issued the District a subsequent Wet Weather Facilities NPDES permit (Regional Board Order No. R2-2009-0004), effective for the five-year period January 14, 2009 through January 13, 2014. Previous permits issued by the Regional Board allowed the District to discharge flows from its three Wet Weather Facilities during heavy storm events, following primary treatment and disinfection, as part of a regional solution to help prevent sewer overflows on streets in the East Bay communities. This approach was consistent with USEPA policy at the time the Wet Weather Facilities were constructed. The 2009 permit, however, was more stringent and prohibited the District from discharging any flows from its Wet Weather Facilities to San Francisco Bay even during heavy storm events. Recognizing that discharges from the Wet Weather Facilities cannot be immediately halted without causing sewer overflows, the Regional Board simultaneously issued a Cease and Desist Order ("CDO," Regional Board Order No. R2-2009-0005) requiring the District to develop a plan for eliminating discharges from the Wet Weather Facilities at the earliest possible date. The CDO noted that the time schedules therein accounted for the considerable uncertainty in determining effective measures to achieve compliance and may be revisited. The inability of the District to meet the terms of the new Wet Weather Facilities NPDES permit also prompted the USEPA, the SWRCB and the Regional Board to seek judicial entry of a Stipulated Order memorializing the compliance plan and rendering it enforceable. Towards that end, a Stipulated Order for Preliminary Relief (the "SO") was negotiated among the District and the USEPA, the SWRCB, the Regional Board and the Department of Justice. After negotiations were completed, the regulatory agencies initiated a lawsuit against the District on January 15, 2009 (*United States of America, et al. v. East Bay Mun. Util. Dist.*, No. CV 09-0186 RS (N.D. Cal.)) and simultaneously filed the proposed SO for the Court's approval. The SO was approved by the Court and became effective on July 22, 2009.

The objective of the SO was to develop remedial measures to address the excess wet weather flow issues. It was intended as an interim remedy and was designed to develop information to tailor a final remedy for inclusion in a final Consent Decree which is anticipated to fully and finally resolve the litigation. The SO required the District, among other things, to initiate a number of programs, including: (i) a flow monitoring and data assessment program, including the monitoring of flows to the District's interceptor system from the participating agencies that discharge into the District's interceptors (see "Wastewater Facilities" above), the modeling of peak flows under design storm conditions, and the development of alternative sets of capacity flow limits; (ii) a private sewer lateral regional ordinance program requiring the District to develop, adopt and implement a regional ordinance setting standards for the performance of lateral sewer pipes that extend from privately-owned structures to the participating agencies' collection systems and requiring property owners to obtain private sewer lateral compliance certificates at specified junctures, such as upon sale of property, upon obtaining building permits, and upon requests for changes in District water meter size; (iii) a private lateral incentive program requiring the District to provide $2 million per year in incentives to encourage private lateral inspection and replacement; (iv) an interceptor system asset management program to develop protocols for interceptor condition assessment, including an inspection of the entire system within five years and annual repairs and reporting; and (v) development of a collection system asset management template through an interactive process among the District, the participating agencies and regulators.

The SO programs represented the first phase in the development of a long-term solution to address peak wet weather discharges. In parallel to the litigation and SO involving the District, the participating agencies that cause and contribute to the District's Wet Weather Facility discharges entered into their own SO with the USEPA, the SWRCB, the Regional Board and the U.S. Department of Justice, which was approved by the Court in a related lawsuit and became effective on September 6, 2011. The activities undertaken by the participating agencies under their parallel SO yielded further information and progress toward development of a long-term solution.

In January 2013, the District and the participating agencies began joint settlement negotiations with the USEPA, the SWRCB, the Regional Board and the Department of Justice with a goal of adopting a long-term Consent Decree and resolving both parallel lawsuits, which were consolidated. The negotiators for all parties reached tentative agreement on a proposed Consent Decree, which was approved for execution by their respective approving officials in July 2014. On July 28, 2014, the proposed Consent Decree was lodged with the federal court by the regulatory agencies, and the terms of the proposed Consent Decree were publicly released. On September 22, 2014, the U.S. District Court entered the Consent Decree, which became effective the same day. The final Consent Decree supersedes the SO and lays out a program of work by the District and the participating agencies designed to result in reducing peak wet weather flows over time to the point that the District's Wet Weather Facilities would no longer discharge during storm events smaller than a pre-determined rainfall event. Once the program of work is complete, it is anticipated that, in the vast majority of storms, the District's Wet Weather Facilities would be used only to provide temporary storage of peak flows which would be drained back to the District's Main Wastewater Treatment Plant for secondary treatment and discharge.

The Consent Decree is expected to be in effect for approximately 22 years. The Consent Decree requires the District and the participating agencies to demonstrate by mid-2036 that sufficient work has been performed on their regional wastewater facilities to eliminate discharges from the District's Wet Weather Facilities except during storm events of exceptional magnitude. Under the terms of the Consent Decree, the participating agencies are required to rehabilitate approximately 500 miles of their local wastewater collection systems to reduce infiltration and inflow. The District is required to, among other things: (i) continue the regional private sewer lateral ordinance program developed pursuant to the SO; (ii) upgrade segments of its interceptors; (iii) develop and implement a regional technical support program to identify inflow sources within the participating agencies' regional collection systems and assist in prioritizing them for repair by the participating agencies; and (iv) design and implement a plan to evaluate performance through flow monitoring and modeling and to report to the regulatory agencies on the overall progress toward achieving the Consent Decree mandates. The Consent Decree requires the District and the participating agencies to meet certain pre-established interim benchmark percentage reductions for Wet Weather Facility discharges (8 and 16 years into the Consent Decree term, which will occur in September 2022 and September 2030, respectively). Failure to achieve any of these targets would result in additional flow monitoring obligations under the Consent Decree and may also result in revisions to the work plan developed under the Consent Decree. Work plan revisions could include additional work obligations for the District and/or the participating agencies. If and when work plan revisions become necessary, the Consent Decree parties would negotiate the nature and scope of such revisions and, if additional expenditures are required to implement the revisions, each party's share of such expenditures.

The District's identified goal in developing the Consent Decree was to achieve a plan that serves the interests of the District and its ratepayers by adequately reducing wet weather flows while ensuring any necessary financial investments are apportioned and scheduled in the most cost-effective and equitable manner possible. The District currently estimates that the cost of implementation of the programs and activities required to be undertaken by the District under the Consent Decree (exclusive of certain of the interceptor improvements which the District would expect to budget and undertake in the normal course of its long-term capital improvement program) would average approximately $5 million per year over the life of the Consent Decree, portions of which are ongoing projects or programs included in the current capital and operating budgets. Under the terms of the Consent Decree, the District and the participating agencies paid certain civil penalties, the District's share of which was $201,600. The Consent Decree provides for the possible future imposition of financial penalties on the District and/or the participating agencies in the event of failure to perform the required work or meet a deadline established under the Consent Decree.

Future Statutory and Regulatory Compliance. As noted above, the construction and operation of wastewater facilities and the discharge of wastewater are highly regulated activities. Federal, State and local standards and regulations are subject to change. Changes in the scope and standards for regulation of wastewater systems, such as the District's Wastewater System, may lead to more stringent operating requirements and the imposition of future administrative or judicial orders issued by federal or State regulators or a court. Compliance with future requirements and orders that may be adopted could impose substantial additional costs on the Wastewater System. Furthermore, claims against the Wastewater System for failure to comply with applicable laws and regulations could be significant. The District is actively involved with major wastewater industry associations and routinely monitors and participates in the regulatory process in order to ensure that a "sound science" approach is applied in determining the need, and (if deemed necessary) implementation approach, for potential regulatory changes. However, no assurance can be given that the laws and regulations currently in effect will not change or that the Wastewater System will always be able to obtain all required operating permits or that the cost and/or impact of compliance with applicable laws, regulations or orders will not adversely affect the finances or operations of the District's Wastewater System.

One area identified for potential future regulatory change is with respect to the discharge of nutrients. Wastewater often contains large amounts of nitrogen and phosphorus, known as nutrients. There is some data indicating that there are potential impairment issues in the San Francisco Bay related to these nutrients, a significant portion of which come from wastewater treatment plants. The District is a principal agency of the Bay Area Clean Water Agencies ("BACWA"), a joint powers agency, formed under the California Government Code by the five largest wastewater treatment agencies in the San Francisco Bay Area, presently supporting a multi-year work plan to study possible impairment of the San Francisco Bay due to nutrients. BACWA is also engaged in an effort with the Regional Board that resulted in the development of a watershed-based permit for all of the San Francisco Bay wastewater agencies in order to provide a level of regulatory certainty for the timeframe of the study. The NPDES permit (Regional Board Order No. R2-2014-0014), which became effective on July 1, 2014, required wastewater agencies to monitor and evaluate approaches to reduce nutrient discharges, and provided financial support to fund regional scientific studies investigating nutrient impacts to San Francisco Bay. This permit expired on June 30, 2019 and was replaced with a second nutrient watershed NPDES permit (Order No. R2-2019-0017) on July 1, 2019. This second permit includes total inorganic nitrogen ("TIN") discharge load targets for each BACWA agency (based on each agency's previous TIN load to the San Francisco Bay) that will become regulatory discharge requirements on July 1, 2024, when a third nutrient watershed permit is expected to take effect. District staff is currently evaluating options to ensure the District's 2024 TIN discharge requirement will be met.

Resource Recovery

In 2001, the District initiated a pilot program to provide revenue enhancement for the Wastewater System through the utilization of excess dry weather capacity at its Main Wastewater Treatment Plant to accept trucked waste from outside its service area. The District's resource recovery program accepts a variety of trucked liquid and solid waste streams from outside the service area of Special District No. 1 for disposal in an environmentally sound manner. High strength trucked wastes are discharged into underground tanks, processed and anaerobically co-digested with biosolids. This program provides an additional source of methane gas for use in the District's power generation plant at the Main Wastewater Treatment Plant (see "– Power Generation/Energy Recovery" below) and generates an additional source of revenue for the Wastewater System through the collection of tipping fees charged to the trucked waste haulers. See also "WASTEWATER SYSTEM FINANCES – Resource Recovery Revenues."

Related Litigation. On April 1, 2021, Waste Management of California ("WMAC") filed a lawsuit against the District alleging the District had breached an agreement with WMAC to receive and process commercial food waste at a facility to be constructed by the District. WMAC's suit asserts the District's failure to build the facility and receive its food waste caused WMAC to incur damages in the form of additional hauling and processing costs and lost revenues. WMAC seeks damages for its increased processing costs for the ten-year contractual period of July 1, 2016 through June 30, 2025. Though WMAC has not specified the total amount it is seeking for its increased costs, it submitted a claim with the District in the amount of $1.65 million for the 2017 and 2018 fiscal years. Additionally, WMAC seeks to have the District defend and indemnify it against a $24 million liquidated damages claim assessed against it by the City of Oakland, which asserts in part that WMAC breached its own contractual obligations to the City of Oakland regarding the processing of organic waste. This litigation is ongoing. The District is unable to predict with certainty the outcome of the litigation. However, District management believes that the ultimate resolution of this matter will not have a material adverse impact on the District's financial position or results of operations.

Power Generation/Energy Recovery

In addition to biosolids, another wastewater treatment byproduct is methane gas, which is produced by the sludge digestion process. The District currently operates a 10.8 megawatt power generation plant fueled by the methane gas produced at the Main Wastewater Treatment Plant, consisting of three 2.1 megawatt engines installed in 1985 and an additional 4.5 MW turbine installed in 2011, which is utilized to supply energy to operate the Main Wastewater Treatment Plant. As a result of the installation of the additional turbine in 2011, the District is able to generate more electric energy than is required to operate the Main Wastewater Treatment Plant, making the District's Main Wastewater Treatment Plant the first net electricity producing wastewater facility in the United States. Electrical energy produced in excess of that needed for plant operations is sold to the Port of Oakland through the utility grid. The ability to generate power to operate the Main Wastewater Treatment Plant facility reduces the District's exposure to energy cost volatility in its Wastewater System operations.

Climate Change

The effects of global climate change are expected to increase the risk of inundation at low-lying wastewater facilities as sea levels rise. In addition, higher intensity storms are expected in California as a result of climate change, which are projected to result in potentially higher peak wet weather flow events. The District completed a Wastewater Climate Change Plan in June 2020. The Wastewater Climate Change Plan was an expansion of the District's efforts to assess the impact of climate change on the Wastewater System facilities and operations and propose responses to such impacts. The Wastewater Climate Change Plan included an assessment of the District's contribution to greenhouse gas ("GHG") emission, mitigation measures, an assessment of the District's vulnerability to climate change impacts and adaption strategies to be implemented by the District.

The Wastewater Climate Change Plan builds upon the District's other climate change policies, including the District's Strategic Plan. The District's Strategic Plan identifies the District's goals, strategies, objectives and key performance indicators and guides District staff in setting priorities and allocating resources. The Strategic Plan is reviewed and updated every two years. In 2008, the District incorporated climate change into its Strategic Plan. The District also prepared a Climate Action Plan in 2021 that focused on sustainability and resilience, and acknowledges impacts and vulnerabilities, and includes mitigation measures and adaptation strategies to manage changing climate and its impact on the District's water resources.

In addition, the District has adopted a Sustainability and Resilience Policy, which sets forth an overarching objective for the District to consider environmental, social and economic impacts in the District's policies, programs and work practices. It also establishes a specific objective for the District to identify and implement projects and plans that mitigate climate change impacts and reduce GHG emissions.

The District has also adopted a policy (Policy 7.07) to promote energy efficient practices within the District's Wastewater System and Water System, service area and watersheds, minimize reliance on fossil fuels, diversify its energy sources, reduce energy costs, and strive to achieve a goal of being carbon free for direct and indirect GHG emissions. To support this policy, the District has adopted the following goals for GHG emission reductions: (i) for the Wastewater System – to eliminate indirect GHG emissions by 2040 and reduce direct GHG emissions by 50% over 2000 levels and (ii) for the Water System – to eliminate direct and indirect GHG emissions by 2030.

In furtherance of the District's objective of reducing GHG, the District utilizes anaerobic digestion to treat the solids from the wastewater treatment process, which produces biogas. This biogas is combusted and converted to energy. The District's Wastewater System Resource Recovery Program, which the District has operated since 2002, creates additional renewable energy by accepting trucked-in organic wastes. The program reduces GHG emissions in three ways. First, the enclosed anaerobic process converts methane to carbon dioxide. Without this process, the disposal of some of these wastes would result in the uncontrolled releases of methane gas, which has 30 times more global warming potential than carbon dioxide. Second, combustion of the methane generates renewable electricity, which displaces fossil fuel use and associated GHG emissions. Third, anaerobic digestion residuals, or biosolids, are land applied whereas carbon is partially sequestered in the soil.

In connection with the preparation of the Wastewater Climate Change Plan, the District performed a climate impact vulnerability assessment of the Wastewater System facilities to identify the facilities most at risk, when such facilities are expected to be impacted by sea level rise and other climate change impacts, the investments required to mitigate such risks and the timing of such investments. The primary climate impact identified by the climate impact vulnerability assessment was sea level rise, due to proximity of the District's facilities to the San Francisco Bay shoreline. Secondary risks identified by the climate impact vulnerability assessment included more intense rainfall events, which could increase peak wet weather flows in District interceptor sewer pipelines, and drought, which could reduce sewer flows due to water conservation in response to drought.

The District expects that the impact of sea level rise will be moderate for several decades, until the sea level rises by more than four feet, which is not expected to occur until the year 2100. In the near term, the District projects the impact of sea level rise will be limited to temporary shallow flooding of access roads to District facilities. The District has implemented climate change design guidelines, which determine the appropriate elevation to install sensitive equipment, such as electrical and control panels, to avoid damaging equipment from temporary flooding.

The District has determined to undertake sea level rise mitigation measures through a cooperative, regional approach with other jurisdictions, agencies, and land owners. A cooperative approach allows the District to pool resources with other jurisdictions, agencies, and land owners and to develop multi-benefit projects that, in addition to mitigating sea level rise, could provide benefits such as habitat creation, water quality improvement and recreational access expansion for the public. Accordingly, the District participates in regional groups that focus on climate change mitigation and adaptation, such as the Bay Area Climate Action Network (BayCAN), the San Leandro Bay/Oakland-Alameda Estuary Adaptation Working Group, and the Bay Adapt (led by the San Francisco Bay Conservation and Development Commission) to collaborate with other jurisdiction and agencies in the region, identify potential projects, and work toward securing State and federal funding for implementation of sea level rise mitigation projects.

The District is mitigating the impact of more intense rainfall events by implementing an inflow & infiltration ("I&I") reduction program, which is a partnership with the District's tributary agencies, which are cities that own sewer collection systems that flow into the District's interceptor system. The District's efforts under the I&I program, including identifying sources of I&I and correcting them, work to reduce peak wet weather flows and groundwater infiltration. Groundwater infiltration could increase in areas adjacent to the San Francisco Bay shoreline, where rising sea levels are expected to proportionally raise surrounding groundwater levels.

Reduced flows in the District's collection system as a result of water conservation in response to drought conditions could result in sewage with a higher concentration of certain constituents. A higher concentration of such constituents can potentially increase corrosion of concrete, which requires the inspection of sewer pipes and concrete basins, as well as regular rehabilitation projects, which are included in the District's Capital Improvement Program.

Seismic Matters

The District is located in a seismically active region of California. The Hayward Fault runs through the entire western portion of the District and the Calaveras Fault runs through the southeastern portion of the District. The Concord Fault is located several miles to the east of the District and the San Andreas Fault is located to the west.

The District commissioned a seismic evaluation study, completed in 1994, that examined the potential impacts on the District's Wastewater System of various magnitudes of earthquakes along the Hayward Fault. The study found that many of the Wastewater System facilities are located on poor soil and could be affected by liquefaction and settlement. Although structures supported on pile foundations should withstand the liquefaction with minimal structural damage, piping and electric conduit penetrating into basement walls of these structures could be sheared, effectively causing loss of function in the facility. The study further concluded that, in the event of the largest credible earthquake measuring 7.5 on the Richter scale from the Hayward Fault, approximately half of the facilities at the Main Wastewater

Treatment Plant would suffer significant damage, that three of the District's 15 pump stations could possibly experience loss of function and that interceptor blockage could lead to sewage backup into the San Francisco Bay or onto city streets. A major earthquake could also have a severe adverse impact on the economy of the District's wastewater service area.

In response to the 1994 seismic evaluation study, the District initiated a multi-year Wastewater Seismic Repairs Program, which focused on the retrofit of all the facilities that, if a failure occurred, would endanger life and/or public health. All of the high priority projects identified in the 1994 seismic evaluation study have been completed. Each of the operations center, sludge dewatering building, primary sedimentation blower building and oxygenation tank control buildings have been seismically retrofitted. The District has also made seismic improvements through other capital upgrade projects.

In 2016, the District began work on an update to the 1994 seismic evaluation study focused on the Main Wastewater Treatment Plant facilities. The update was completed in 2018 and evaluated seismic performance under current industry standards and codes, which changed greatly since the 1994 seismic evaluation study, and developed recommendations for mitigating seismic risk based on such updated standards and codes. The design and maximum earthquake levels are equivalent to approximately magnitude 6.4 and magnitude 7.3 on the Hayward Fault, respectively. Findings of the seismic evaluation update study indicate that it is expected that a large number of Main Wastewater Treatment Plant facilities may sustain significant damage in the event of a large earthquake and not meet life safety performance criteria. Evaluations and risk assessments were performed to support the prioritization of further seismic evaluations and mitigation improvements.

Following the completion of the seismic evaluation update study, the District performed geotechnical investigations for seismic hazard mitigation, and additional evaluations and conceptual retrofit designs for 25 high priority facilities. In 2021, the District began the design phase for seismic retrofits for (1) a group of personnel buildings referred to as the "Administrative Facilities," and (2) the maintenance center. Additional seismic mitigation projects have been included in the wastewater 10-year Capital Improvement Program for the Wastewater System, including projects to seismically retrofit the influent pump station, primary sedimentation tanks and the effluent pump station.

Despite the completed and continuing seismic work, in the event of significant earthquake damage to the Wastewater System and/or the District's service area, there can be no assurance that Subordinated Wastewater Revenues would be sufficient to pay the principal of and interest on any outstanding Wastewater System Revenue Bonds.

Security and Emergency Preparedness; Cybersecurity

The District has implemented a security program to provide a secure work place; maintain safe and reliable water supply and wastewater services; and to prevent or mitigate potential damage or loss of assets from internal and external threats. The District's Security Office manages the security program which includes assessment, capital, operational and coordination elements. These efforts are guided by the Security Vulnerability Assessment (SVA), water/wastewater industry experience, actual experience at District facilities, and industry standards/guidelines. The program's systems, procedures, and personnel are designed to deter, detect, delay and assess potential criminal actions.

The District has a Security Operations Control Center (the "SOCC") that is staffed seven days a week, 24 hours a day. The SOCC houses a proprietary centralized security system to monitor access controls, video cameras and recorders, and security alarms. The dispatchers at the SOCC monitor alarms, assess conditions using the security system, and dispatch security and law enforcement response as needed for alarms and reports of suspicious circumstances or crimes at District facilities. The security system maintains access controls for water and wastewater treatment, administrative and maintenance facilities, its storage yards and service centers, and the reservoirs and pumping plants in its water distribution system. District security includes an internal security staff and security contractors. Contract security officers are also used to supplement automated access controls at certain key facilities.

The District maintains an active emergency preparedness program that includes an Emergency Operations Plan to help manage the District's critical operations during any emergency and protect people, property, and the environment. The District also maintains a Business Continuity Program Plan to minimize impacts to critical business functions and enhance its capability to recover operations expediently and successfully following a disruptive incident. Pursuant to State law, District employees are sworn disaster service workers, and staff is trained to use California's Standardized Emergency Management System (referred to as SEMS) and the National Incident Management System (referred to as NIMS) in response to emergencies and security incidents. As part of its Emergency Operations Plan, the District maintains two strategically located emergency operations centers and a mobile emergency command center, and has in place an emergency operations team to lead emergency response activities. The District also has adopted business continuity plans for individual work units to ensure the District's ability to respond to, and recover from, any emergency or other event that disrupts its normal business functions.

The District, like many other large public and private entities, relies on an extensive and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, phishing, executive impersonation, denial of service, malware, and other attacks on its information systems, networks, and data. Cybersecurity incidents could result from unintentional events or from deliberate attacks by unauthorized entities, nation state actors, or individuals attempting to gain access to the District's systems for the purposes of misappropriating assets or information or causing operational disruption and damage. Cyberattacks are becoming more sophisticated and the threats continually evolve. Certain cyber incidents, such as surveillance, may remain undetected for an extended period. Attacks directed at critical Wastewater System operations and facilities could damage distribution and storage assets, cause operational malfunctions and outages, and result in costly recovery and remediation efforts.

The District's cybersecurity program leverages a defense-in-depth approach to maintain the confidentiality, integrity, and availability of the District's business information systems, data, and water and wastewater control systems. There are dedicated District IT and OT Security and third-party staff who perform a variety of functions, including intrusion detection and prevention, incident response, monitoring for malware, vulnerabilities, and anomalous network traffic, promoting cybersecurity awareness to District staff, and auditing the environment to ensure that configurations remain consistent with security objectives as well as implementing new security controls as needed to stay ahead of continually evolving security threats. Third-party audits and vulnerability assessments are also utilized periodically by the District to identify any potential areas of improvement for the overall cybersecurity program. The District maintains a backup data center to facilitate recovery of critical business systems after a disaster.

Insurance

The District uses a combination of self-funding/self-insuring and insurance coverage in the District's risk management program. The program provides protection for the District's buildings and facilities, including their contents and equipment, from fire, explosion and related perils, including flood. The District's insurance program does not currently include earthquake coverage. The District's reserves, self-insured retentions, deductibles, and insurance are described below.

The District self-insures liability claims up to $10 million for bodily injury and property damage that may arise from the District's operations, including but not limited to use of its property, facilities, or vehicles. The District also maintains fidelity protection against fraudulent acts of its employees.

The District maintains a reserve of approximately $7 million that is earmarked to pay both liability and workers' compensation claims that may arise from the District's water and wastewater systems' operations. See also "WASTEWATER SYSTEM FINANCES – Financial Management Policies."

Selected insurance coverages include the following:

– $90 million of commercial general and automobile liability insurance, subject to a $10 million per occurrence self-insured retention for both the Water System and the Wastewater System;

– Statutory limits of excess workers' compensation coverage, subject to a $5 million self-insured retention for both the Water System and the Wastewater System;

– $200 million in coverage for "all risk" property insurance, subject to a $500,000 deductible, with exclusions including, but not limited to, all underground property and pipelines, earthquake and flood;

– $25 million in coverage for flood perils (except for areas within the FEMA-designated 100-year floodplain in which a $10 million limit is applicable), subject to a $1.5 million minimum deductible per occurrence, except 5% of the total insurable property values at the time of the loss at each location involved in the loss subject to a minimum deductible of $1.5 million for any occurrence in areas of 100-year flooding as defined by FEMA, all such flood insurance excluding coverage for underground property and pipelines;

– $25 million in coverage for boiler and machinery insurance, subject to a $25,000 deductible; and

– $10 million in coverage for crime insurance for protection against fraudulent acts of employees (except for "faithful performance" claims in which a $6 million limit is applicable), subject to a $25,000 deductible.

Capital Improvement Program

Since Fiscal Year 2002, the District has implemented a biennial budget. In the spring of odd-numbered years, a budget is presented to the Board for consideration for the two ensuing Fiscal Years. The District's biennial budget planning process includes a review of projected long-term (10 years or longer) facilities needs and the development of a capital expenditure forecast for the ensuing five fiscal years. A series of master plans document the identified facilities needs by asset classes and include assessments of the District's key facilities, taking into consideration condition assessments, operational performance and maintenance histories. Facilities in need of rehabilitation or replacement are identified and prioritized. Project scopes are also defined (for example, replacement of aging mechanical or electrical equipment, seismic upgrades, or other defined scopes).

The master plans are considered during the biennial update to the Capital Improvement Program (the "CIP"). The most recent CIP update was completed in 2021 in connection with developing the biennial budget for Fiscal Years 2022 and 2023, which was approved by the Board on June 8, 2021. The CIP update included a five-year capital expenditure forecast for Fiscal Years 2022 through 2026. In the

CIP for Fiscal Years 2022 through 2026, the District is continuing its focus on investments in general improvements and rehabilitation work. Based upon the CIP forecast for Fiscal Years 2022 through 2026, cash expenditures for capital improvements to the Wastewater System for Fiscal Years 2022 through 2026 are projected to aggregate approximately $243.2 million, a 3.7% increase over the prior CIP. The increase is primarily related to the District's work to improve buildings that serve multiple treatment processes, including seismic retrofits, as well as rehabilitation work on sewer interceptors and pump stations. Additional major work will include a new dewatering process that will entirely replace the existing one, and other major work will focus on preliminary and secondary treatment, which includes rehabilitation of concrete structures such as primary sedimentation tanks and channels, the oxygen production plant, and secondary clarifiers. This strategy is reflected in the substantial portion of the CIP expenditure forecast dedicated to maintaining infrastructure.

Table 5 summarizes the District's projected CIP cash expenditures for Fiscal Years 2022 through 2026 by major category as forecast in the biennial budget for Fiscal Years 2022 and 2023.

Table 5
Fiscal Years 2022-2026
Capital Improvement Program
FY 2022 and FY 2026 Biennial Budget
Forecast – Cash Expenditures[1]
(Millions)

	Fiscal Year Ending June 30,					
	2022	***2023***	***2024***	***2025***	***2026***	***Total[3]***
Maintaining Infrastructure	$40.7	$42.7	$38.3	$39.4	$46.7	$207.9
Regulatory Compliance	1.3	3.2	3.3	2.5	5.2	15.5
Admin. & General Expenses[2]	3.8	3.9	4.0	4.1	4.1	19.9
Total[3]	$45.8	$49.8	$45.6	$45.9	$56.0	$243.2

(1) Cash expenditures include spending for projects appropriated in earlier Fiscal Years.
(2) Includes overhead, construction management and other administrative costs which are allocated to individual projects upon their completion.
(3) Totals may not add due to rounding.
Source: The District.

The cost estimates are subject to revision in connection with the subsequent five-year CIP forecast prepared as part of the biennial budget planning process. See also "− *Construction-Related Risks*" below.

The District's currently estimated funding sources for its CIP for Fiscal Years 2022 through 2026 as reflected in the biennial budget for Fiscal Years 2022 and 2023 are set forth in Table 6:

Table 6
Fiscal Years 2022-2026
FY 2022 and FY 2023 Biennial Budget
Sources of Funds for Capital
Improvement Program Expenditures

Funding Sources	***(Millions)***
Revenues	$145.2
Bond Proceeds[(1)]	98.0
Total	$243.2

(1) See footnote 9 to the Table 18 for additional information regarding the District's currently planned bond issuances to finance the District's CIP expenditures.
Source: The District.

Included in the five-year CIP for Fiscal Years 2022 through 2026 as reflected in the biennial budget for Fiscal Years 2022 and 2023 are the major programs and projects described below:

Maintaining Infrastructure. The projects and programs in this category are aimed at furthering the District's objectives to improve the infrastructure at both the Main Wastewater Treatment Plant and remote facilities to ensure reliable, high quality service. The primary work under this category focuses on rehabilitating the digesters, concrete structures, and treatment process facilities; upgrading the resource recovery receiving station; rehabilitating sections of the sewer interceptors; expanding and improving the power generation station; and retrofitting various structures at the Main Wastewater Treatment Plant.

The General Wastewater System project includes improvements that are essential to systemwide wastewater conveyance and treatment but are not limited to a single treatment process. Components of the project include improvements to buildings that serve multiple treatment processes such as the periodic replacement of capital equipment, the application of protective coatings plant-wide, the replacement of hardware and software, and the procurement of additional vehicles. Two major components of the project are the seismic retrofitting of the maintenance building and the operations center, two buildings that are heavily used and were prioritized in the Main Wastewater Treatment Plant seismic evaluation. The seismic retrofitting of these buildings is scheduled to occur between Fiscal Years 2022 and 2026. Additional seismic-related components include the retrofitting of various concrete masonry buildings at the Main Wastewater Treatment Plant, the field services building and the administration building.

The Interceptors and Pump Stations project provides for the rehabilitation of gravity interceptors, force mains, and pump stations that convey wastewater from the satellite agencies to the Main Wastewater Treatment Plant, and improved access to such facilities for maintenance and repairs. Interceptor rehabilitation includes the underground piping, select manholes and tie-in structures. Pipe rehabilitation will be conducted on the older interceptors that have not been addressed recently. Pump station rehabilitation includes the rehabilitation of equipment, piping, and access improvements to several stations. In Fiscal Year 2022, Pump Station M in Alameda is planned to be rehabilitated, and access will be improved for making bypass connections during an emergency. Other components of this project include construction for the Special Structures Rehabilitation Phase 1, rehabilitation of Pump Station L in Oakland, and access improvements to force mains. In future Fiscal Years, the District expects to undertake improvements relating to the Second Street and Embarcadero interceptors in Oakland, Pump

Station A in Albany, Pump Station C in Alameda, and Pump Station H in Oakland and the second phase of the Special Structures Rehabilitation.

The Secondary Treatment project consists of the rehabilitation and upgrade of structures associated with wastewater treatment including the oxygen production plant where liquid oxygen is produced, the oxygen reactors where oxygen is mixed with wastewater and the secondary clarifiers. The rehabilitation to these facilities will be undertaken in phases to allow the Main Wastewater Treatment Plant to remain operational during such rehabilitation work. Rehabilitation of the oxygen production plant includes upgrading the control system. Planning and design work is expected to take place in Fiscal Year 2022, and construction is expected to commence in Fiscal Year 2023. Rehabilitation of the oxygen reactors includes concrete resurfacing of the interior walls and columns, coating of the roof slabs, strengthening the interior support columns, recoating or replacing sections of piping, and refurbishing the aerator gear boxes. Design for the first of four phases was completed in Fiscal Year 2021, and construction is expected to be completed in Fiscal Year 2022. Rehabilitation of the secondary clarifiers is expected to include concrete work, replacement of the clarifier mechanisms, resurfacing or replacing other mechanical components, and replacing the baffles to improve performance. Three of the twelve clarifiers have been rehabilitated to date. The design for the second phase was completed in Fiscal Year 2021 and construction is expected to be completed in Fiscal Year 2022.

The Dewatering project includes upgrades to the District's solids dewatering capability, which produces beneficial use biosolids from the byproducts of the wastewater treatment process. A major component is the replacement of the dewatering building, which will include the replacement of the existing structure and implementation of new feed pumps, dewatering equipment, cake storage hoppers, polymer feed equipment, and odor control facilities. In Fiscal Year 2023, the planning phase of the project is expected to begin, with design work commencing in Fiscal Year 2024. The construction phase is planned to begin in Fiscal Year 2025 and is expected to be completed in Fiscal Year 2029. The existing dewatering building will continue to be used for the secondary solids thickening process and improvements will be made including upgrades to the building's odor control system and seismic retrofits.

The Preliminary Treatment project provides for the rehabilitation and upgrade of assets associated with wastewater receiving, screening, pumping, and trash and grit removal to keep wastewater flowing from the interceptor system into the Main Wastewater Treatment Plant before primary treatment. Partial replacement of de-gritting equipment at the grit handling facility is planned for completion in Fiscal Year 2022. The District expects to undertake the seismic retrofitting of the influent pump station through which all wastewater passes in Fiscal Year 2023. In connection with the seismic retrofitting, the District also plans to implement upgrades to the large pumps, electrical system, and certain other equipment. The Utilities and Site Work project includes the rehabilitation and improvement of the utility systems at the Main Wastewater Treatment Plant, including chemical piping, compressed air, wash-down water, potable water, natural gas, and drains and site work, including landscaping and paving. A multi-phase project to improve and replace hypochlorite piping around the Main Wastewater Treatment Plant is currently in progress, with the second phase expected to be completed in Fiscal Year 2022, and the third phase expected to begin in Fiscal Year 2023. Construction of the District's Process Piping Replacement is expected to be completed in Fiscal Year 2022.

The District plans to assess and improve the wash down water pumps and piping, including the surge and cathodic protection systems. The District plans to establish a new connection to the recycled water system to provide a back-up supply. Portions of the piping will be assessed by the District starting in Fiscal Year 2022 and construction is planned to take place through Fiscal Year 2025. Planned improvements to the plant gallery drains are intended to address ponding in the galleries and make it easier to empty the tanks and basins when maintenance is needed. Phase one improvements have been completed. The design work for the second phase improvements is expected to begin in Fiscal Year 2022.

The Electrical and Controls project includes the replacement of aging equipment and the improvement of the seismic performance and reliability of the electrical power distribution and control systems to prevent outages and optimize processes to meet regulations. Four large variable frequency drives associated with the return activated sludge pump drives and the digester hot water recirculation pump drives for the anaerobic digesters have been identified for replacement. Aging motor control centers for the aerated grit removal process and the oxygen reactors are also planned for replacement. The replacement of these components is expected to occur in Fiscal Year 2022. The ovation control system is also expected to be replaced. Based on seismic evaluations performed by the District, two phases of seismic improvements have been identified for the electrical system at the Main Wastewater Treatment Plant. The first phase is planned to address immediate needs, such as improved bracing and supports for electrical distribution lines between the main substation and the power generation plan, and improved unit anchorage for substations. The second phase is planned to address reliability needs following completion of an Electrical Master Plan for the District in Fiscal Year 2023.

The Power Generation and Biogas project consists of the rehabilitation of the biogas and power generation plant equipment, flares, piping, and related components to improve utilization of biogas produced in the digesters to generate renewable electricity and produce heat for the digesters. The project is intended to increase the reliability of the power generation components in both normal operation and during grid power outages to improve overall plant reliability. The third phase of the Power Generation Station Reliability Improvements is ongoing with construction planned to begin in Fiscal Year 2022. Construction on the fourth phase is scheduled to commence in Fiscal Year 2024. The design for upgrades to the original flares was completed in Fiscal Year 2021, and construction is expected to begin in Fiscal Year 2022.

The Primary Treatment project provides for the rehabilitation and seismic retrofitting of the Primary Sedimentation Tanks ("PST"), channels, and galleries to extend the life of concrete assets. The concrete rehabilitation work to the PST includes replacing three primary influent channel control gates and rehabilitating and coating concrete roof and walls in the influent channel adjacent to the gates, and in upstream areas that were not addressed in previous phases. The PST will be seismically retrofitted beginning in Fiscal Year 2024. Phase 1 of the project will encompass tanks 1 through 10, the adjoining influent channels and gallery and effluent channel. The blower building is planned to be relocated; the influent channel and gallery joints are expected to be retrofitted at various locations; channel, roof slab and tank walls are planned to be strengthened; and exterior pile foundations are planned to be added at four expansion joints. The second phase is expected to begin in Fiscal Year 2026 and will address the influent channels, gallery and vortex grit facilities.

The Digesters project includes upgrades to the digestion process at the Main Wastewater Treatment Plant to convert sludge from primary and secondary treatment, as well as high strength waste, into biogas and biosolids for beneficial use. The District has eleven digesters operating at elevated temperatures along with various support equipment including blend tanks, pumps, mixers, heat exchangers, and biogas storage covers that work together to provide the appropriate conditions to convert sludge into biogas and biosolids. Under Phase 3 of the planned upgrades, two digesters are scheduled for new covers and mixing systems with construction having begun in Fiscal Year 2021. These digesters will also be seismically retrofitted to prevent catastrophic collapse in the event of an earthquake. Construction is expected to be completed in Fiscal Year 2022. Phase 4 of the work to upgrade the remaining three digesters is planned to commence in Fiscal Year 2028.

The Resource Recovery project consists of the rehabilitation and upgrade facilities associated with trucked waste which provides additional feedstock to produce biogas. Odor control improvements are planned to be implemented that include a new three-stage treatment system serving the fats, oils, and grease and high strength waste receiving stations and blend tanks. This component of the project also involves safety improvements and drainage improvements to prevent odors and plugging of drains. The design for the project was completed in Fiscal Year 2021, and construction is planned to start in Fiscal Year 2022. Another component of the project consists of creating a new de-gritting facility for trucked waste. This component is expected to involve construction of a new building and hydrocyclone-classifiers, a local odor control unit, pumps, and associated piping. Temporary improvements are planned to be made in Fiscal Year 2022, with the construction on the main project expected to begin after Fiscal Year 2028.

Regulatory Compliance. Projects in the Regulatory Compliance category are designed to further the District's objectives to operate and maintain facilities to meet all water discharge, air emission, and land disposal requirements; ensure protection and stewardship of San Francisco Bay; and implement preventative and corrective maintenance programs. The primary work scheduled to be undertaken focuses on upgrading the wet weather treatment facilities to maintain reliable operations; developing strategic nutrient management solutions to address future regulatory requirements; and, upgrading the dichlorination facilities to protect the San Francisco Bay.

The Nutrients project includes improvements to prepare the District for complying with stricter effluent limits for nitrogen discharged into San Francisco Bay anticipated in the upcoming San Francisco Regional Water Quality Control Board Watershed Permit. The current nutrient watershed permit will expire in July 2024, and the next five-year permit is expected to impose a nutrient discharge load cap. To meet the expected effluent load cap, the District anticipates that a process to treat high ammonia in the centrate generated in the dewatering process will be required. The District plans to conduct studies to determine the feasibility of other nutrient reduction improvements that can be made with existing facilities at the Main Wastewater Treatment Plant. These studies will include pilot and full-scale testing to evaluate sidestream nutrient treatment/recovery technologies and explore innovative approaches to nitrogen reduction. Nutrient studies are expected to begin in Fiscal Year 2022, and the planning phase of the sidestream treatment project is expected to begin in Fiscal Year 2023.

The Wet Weather Facilities project includes conducting mandated work related to the I&I program and maintaining the Wet Weather Facilities for reliable performance during wet weather events. This project includes the ongoing implementation of the regional private sewer lateral ordinance, flow modeling, and reporting, as required by the Consent Decree. The Parshall flumes at Oakport and Point Isabel wet weather facilities, and the San Antonio Creek wet weather facilities in Oakland will be inspected for physical deficiencies, such as damage to liners and concrete and rehabilitated. Design is scheduled to start in Fiscal Year 2022, with construction expected to be completed in Fiscal Year 2024. The project also includes rehabilitation of chemical tanks, wet well liner repair, and concrete restoration at the wet weather facilities which is scheduled to start Fiscal Year 2023.

The Effluent Discharge project includes maintaining and upgrading infrastructure necessary for disinfection and dechlorination of Main Wastewater Treatment Plant effluent and conveyance to its final discharge in the San Francisco Bay. As the final stage of liquid-stream treatment at the Main Wastewater Treatment Plant, treated wastewater is dosed with chlorine or sodium hypochlorite and conveyed through a 9,000-foot long land section of the effluent outfall pipe to the dechlorination facility. At the dechlorination facility, sodium bisulfite is added to react with any remaining chlorine, and water quality samples are collected to ensure a chlorine-free discharge to the San Francisco Bay. The final conveyance is through 7,500-foot long section of subaqueous outfall pipe. Over the next five years, the District plans to conduct a hydraulic study and to implement a rehabilitation of pumps at the effluent pump station, as well as the rehabilitation of the dechlorination facility. Seismic improvements are also planned to be made at the effluent pump station and the outfall later in the ten-year CIP.

Construction-Related Risks. Construction projects for the Wastewater System are subject to ordinary construction risks and delays applicable to projects of their kind, including but not limited to (i) inclement weather affecting contractor performance and timeliness of completion, which could affect the costs and availability of, or delivery schedule for, equipment, components, materials, labor or subcontractors; (ii) contractor claims or nonperformance; (iii) failure of contractors to execute within contract price; (iv) work stoppages or slowdowns; (v) failure of contractors to meet schedule terms; (vi) errors or omissions in contract documents requiring change orders; (vii) the occurrence of a major seismic event; or (viii) unanticipated project site conditions, including the discovery of hazardous materials on the site or other issues regarding compliance with applicable environmental standards, and other natural hazards or seismic events encountered during construction. In addition, Wastewater System construction projects may require scheduling system shutdowns to avoid impacting services and many shutdown windows are inflexible. Increased construction costs or delays could impact the Wastewater System's financial condition in general and the implementation of its CIP in particular. Construction bids may also be higher than anticipated for budgeting purposes due to the uncertainties and supply chain issues from the COVID-19 pandemic.

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WASTEWATER SYSTEM FINANCES

Basis of Accounting

The District reports operations on a Fiscal Year basis (currently July 1 through June 30). Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the costs of providing goods and services to the general public are financed or recovered primarily through user charges. Enterprise funds are accounted for using the accrual basis of accounting. The accounting policies of the District conform to generally accepted accounting principles for municipal water and wastewater utilities. The accounts are maintained substantially in accordance with the Uniform System of Accounts prescribed for investor-owned and major municipally-owned water and wastewater utilities.

Sources of Funds

The District finances its wastewater operations with rates and charges and a share of the county-wide real property tax levy. The Wastewater System's principal source of revenues is dry weather user charges billed directly to customers of the participating agencies. In Fiscal Year 2021, dry weather user charges of $81.1 million provided approximately 57.1% of the Wastewater System's $142.1 million total sources of funds. Wet weather facilities charges collected on the property tax bills issued by Alameda and Contra Costa counties accounted for approximately 19.9% of the total sources of funds of the Wastewater System and are designed to recapture the cost of financing the District's Wet Weather Facilities. The District's resource recovery program generated approximately 8.6% of the Wastewater System's total sources of funds in Fiscal Year 2021.

Table 7 sets forth the District's Wastewater System sources of funds for the five Fiscal Years ended June 30, 2021. The sources of funds in Table 7 include certain funds which do not constitute Subordinated Wastewater Revenues for purposes of funds pledged under the Indenture. Subordinated Wastewater Revenues include all charges received for, and all other income and receipts derived by the District from, the operation of the Wastewater System or arising from the Wastewater System, which includes, without limitation, the District's dry weather user charges, wet weather facilities charges, wastewater capacity fees and resource recovery program revenues, as well as investment income, less Operation and Maintenance Costs. Property taxes are applied to reduce Operation and Maintenance Costs (or, prior to their retirement on April 1, 2018, to pay debt service on the District's outstanding general obligation bonds) and are not pledged to the repayment of the Wastewater System Revenue Bonds. See "– Property Tax Revenues" below. Certain grants and contributions earned on construction which are restricted to use for specified purposes are not included in Subordinated Wastewater Revenues for purposes of the Indenture. Only Subordinated Wastewater Revenues are pledged to the payment of the Wastewater System Revenue Bonds. See "SECURITY FOR THE SERIES 2022 BONDS – Pledge of Subordinated Wastewater Revenues" in the front part of this Official Statement. Comparative summaries of the Wastewater System's historical operating results and debt service coverage ratio for each of the last five Fiscal Years appear in Table 17.

Table 7
WASTEWATER SYSTEM SOURCES OF FUNDS
Five Fiscal Years ended June 30, 2021
(Millions)

	2017	*2018*	*2019*	*2020*	*2021*
Operating Revenue and Other Income:					
Dry Weather User Charges	$ 70.0	$ 74.7	$ 78.1	$ 79.9	$ 81.1
Wet Weather Facilities Charges	23.1	24.3	25.1	27.1	28.3
Resource Recovery	11.8	11.8	12.2	12.1	12.3
Interest[(1)]	0.7	1.2	2.4	1.9	0.3
Taxes[(2)]	7.8	6.8	5.9	6.3	6.9
Other Revenues[(3)]	5.3	7.0	4.6	5.3	5.8
Total Revenues	$118.7	$ 125.8	$ 128.3	$132.5	$134.6
Capital Contributions:					
Wastewater Capacity Fees	$ 8.0	$11.4	$ 13.3	$ 5.7	$ 7.2
Earned contributions on construction	0.7	0.0	(0.1)	0.0	(0.0)
Grants and reimbursements	0.2	0.0	0.0	0.0	0.3
Total Contributions	$ 8.9	$ 11.4	$ 13.2	$ 5.7	$ 7.5
TOTAL[(4)]	$127.6	$ 137.2	$ 141.5	$138.2	$142.1

(1) Includes interest earnings on Wastewater System Fund, including earnings on proceeds of the District's Wastewater System Revenue Bonds.
(2) Includes the District's share of 1% countywide property tax and, prior to their retirement on April 1, 2018, the *ad valorem* tax levied for repayment of Special District No. 1's general obligation bonds.
(3) Other Revenues includes amounts received from the sale of energy to the utility grid, Build America Bonds (BABs) interest subsidy payments received and due to the District in connection with its Series 2010B Bonds, and various other revenues. Other Revenues excludes certain reimbursements and other receipts applied directly to operating expenses.
(4) Totals may not add due to rounding.
Source: The District.

Rates and Charges

The District's rates and rate structure are established by the District's Board after a public hearing process, and are not subject to regulation by any other agency. Under California law, the imposition of, or any increase in, a property-related fee or charge, including fees and charges for ongoing wastewater service, is subject to specified procedural requirements (including notice, hearing and protest procedures). In addition, pursuant to California law all such property-related fees and charges meet certain substantive standards, including that such fees and charges must be proportional to the cost of providing service. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 218" in the front part of this Official Statement for a discussion of the procedural and substantive requirements to which the District's rate increases are subject.

From Fiscal Year 2017 through Fiscal Year 2021, total annual residential wastewater charges imposed by the District have increased by an average of approximately 4.3% per Fiscal Year. The overall average rate increase, which includes the rate increases for all customer classes and rate components (including District treatment and disposal charges, wet weather facilities charges and San Francisco Bay Pollution Prevention Fee), over the same period was approximately 4.6%. The District's most recent increases in wastewater service rates and charges included the adoption on June 8, 2021 of overall rate increases of 4.00% and 4.00% for Fiscal Years 2022 and 2023, respectively.

Table 8 sets forth a history of the average residential rate increases and overall average rate increases for all customers enacted by the District for the five Fiscal Years 2017 through 2021, and the average residential and overall average rate increases as adopted by the Board on June 8, 2021 for Fiscal Years 2022 and 2023.

Table 8
HISTORY OF WASTEWATER
RATE INCREASES[1]

Fiscal Year	***Average Residential Rate Increase[1]***	***Overall Average Rate Increase[2]***
2017	4.88%	5.00%
2018	4.87	5.00
2019	5.05	5.00
2020[3]	2.70	4.00[3]
2021	3.95	4.00
2022[4]	3.91[4]	4.00[4]
2023[4]	4.07[4]	4.00[4]

[1] Residential average rate increase includes wastewater treatment and disposal charges, wet weather facilities charges, and San Francisco Bay Pollution Prevention Fee.
[2] Overall average rate increase includes wastewater treatment and disposal charges and wet weather facilities charges for all customer classes (including residential).
[3] Fiscal Year 2020 rates and charges include cost of service study adjustments that resulted in some rates and charges decreasing and others increasing. Overall revenue from rates were estimated to be approximately 4.00% higher than under Fiscal Year 2019 rates and charges.
[4] The adopted rate increase for Fiscal Year 2022 is effective on bills issued on and after July 1, 2021 and the adopted rate increase for Fiscal Year 2023 will be effective on bills issued on and after July 1, 2022.
Source: The District.

Table 9 shows the rate schedule effective July 1, 2021 for Fiscal Year 2022, and the rate schedule to be effective July 1, 2022 for Fiscal Year 2023 as approved by the Board on June 8, 2021. The District believes that the current rate structure is consistent with federal and State regulations, which require generally that wastewater charges be proportionate to the operation, maintenance and replacement costs associated with providing service for each discharger or class of dischargers. See also Table 18 under "Projected Operating Results" for a description of projected future rate increases.

Table 9
WASTEWATER SYSTEM RATES AND CHARGES

	Effective July 1, 2021	*Effective July 1, 2022*	
Residential Charge:			
Service Charge (per account)	$ 7.59	$ 7.89	per month
Strength Charge (per dwelling unit)	7.90	8.22	per month
Flow Charge	1.37	1.43	per 100-cubic foot unit, to a maximum of 9 units
San Francisco Bay Pollution Prevention Fee	0.20	0.20	per month per dwelling unit
Non-Residential Charge:			
Service Charge (per meter)	7.59	7.89	per month
Treatment Charge	1.42-19.47	1.48-20.29	per unit, depending on the nature of the business
San Francisco Bay Pollution Prevention Fee	5.48	5.48	per month
Minimum Monthly Charge:			
Apartment Buildings (5 or more dwelling units)	47.09	48.99	per month
All others	7.59	7.89	per month
Permit Accounts:			
Flow Charge	1.370	1.425	per hundred cubic feet
COD	0.139	0.145	per pound of discharge
Suspended Solids	0.573	0.596	per pound of discharge
Wet Weather Facilities Charge:			
Small lot (0-5,000 sq. ft.)	120.34	125.16	per year per land parcel
Medium lot (5,001-10,000 sq. ft.)	187.98	195.50	per year per land parcel
Large lot (>10,000 sq. ft.)	429.62	446.80	per year per land parcel

Source: The District.

Comparison of Wastewater System Charges

Annual charges of various Bay Area wastewater service providers for single family residences discharging 6.0 hundred cubic feet ("Ccf") of wastewater per month (as determined based upon metered water consumption) are shown in Table 10. Charges for cities served by the District include both the cities' charge for collection and the District charge for treatment and disposal. Charges for these cities include costs of sewer rehabilitation programs, now underway, to reduce wet weather infiltration and inflow into their collection systems. The District rates also reflect an additional wet weather facilities charge (based on lot size: for Fiscal Year 2022 to be $125.16 for lots from 0 to 5,000 square feet) to pay the cost of the wet weather program.

Table 10
COMPARATIVE ANNUAL WASTEWATER CHARGES[(1)]
Single Family Residences 6.0 Ccf/Month
Effective Rates as of July 1, 2022[(2)(3)]

City and County of San Francisco	$1,097
City of Richmond	1,048
East Bay Municipal Utility District[(4)]	**913**
City of Pinole	883
Central Marin Sanitary District	861
City of Vallejo	786
City of Livermore	780
West Contra Costa Sanitary District	711
Central Contra Costa Sanitary District	690
Delta Diablo Sanitary District	616
City of San Jose	546
Union Sanitary District	530
City of Pleasanton	517
City of San Leandro [(5)]	499
Dublin San Ramon Services District	486
Oro Loma Sanitary District	342

(1) Includes collection and treatment charges.

(2) Unless otherwise noted, the table reflects charges based on rates applicable as of calendar year 2022 or fiscal year 2023 regardless of characterization as base rates or other characterization. Certain rates include proposed rate increases for fiscal year 2023 that have not yet been approved or adopted.

(3) Rates have been obtained from publicly available sources and have not been independently verified by the District.

(4) Monthly charges vary by metered water consumption. The District portion of the charge assumes a monthly wastewater discharge of 6.0 Ccf for an annual charge of $424, based on rates for Fiscal Year 2023 (including the $125.16 wet weather facilities charge for small lots), plus an average community collection charge of $489 per year throughout the wastewater service area. Reflects the District's rates for Fiscal Year 2023 as adopted on June 8, 2021.

(5) Reflects fiscal year 2022 rates as more recent data was not publicly available.

Source: The District.

Wastewater User Charge Revenues and Number of Accounts by User Type

Table 11 sets forth a breakdown of the District's dry weather user charge revenues and number of accounts by customer class for the Fiscal Year ended June 30, 2021.

Table 11
WASTEWATER DRY WEATHER USER CHARGE REVENUES AND NUMBER OF ACCOUNTS BY USER TYPE
Fiscal Year ended June 30, 2021

Type of Customer	*User Charge Revenues*[1]	*Percent of Revenues*	*Number of Accounts*[2]	*Percent of Accounts*
Residential	$45,381,849	56.0%	160,348	88.8%
Commercial	29,220,178	36.0	16,811	9.3
Industrial	2,349,540	2.9	722	0.4
Public	4,126,624	5.1	2,653	1.5
Total[3]	$81,078,191	100.0%	180,534	100.0%

(1) Dry weather user charges collected on the water bill includes permit fees, pollution prevention fees and late fees. Does not include wet weather facilities charges, resource recovery treatment fees or private sewer lateral compliance certificate fees.
(2) This table referred to number of connections in the District's prior disclosure documents. The data presented is more accurately referred to as number of accounts and the table and this column has been re-labeled accordingly. The data presented is on a basis consistent with the presentation in the District's prior disclosure documents.
(3) Totals may not add due to rounding.
Source: The District.

Billing and Collections

All wastewater service customers are billed by the District bimonthly for dry weather user charges, with the exception of the 450 largest accounts, which are billed monthly. Billing is staggered throughout the billing cycle by geographic location. Water service may be discontinued if an overdue wastewater account is not paid after appropriate customer notification. Since March 12, 2020, the District has suspended the discontinuance of water service due to non-payment in order to assist customers experiencing negative economic impacts as a result of the COVID-19 pandemic. See "THE DISTRICT-COVID-19."

The District considers its rates of payment delinquency, service discontinuance for non-payment and write-offs for uncollectible accounts to be low by wastewater industry standards for urban areas. Following retention of a new collection vendor and implementation of a new delinquent payment process, write-offs for uncollectible revenues have been further reduced. Write-offs for uncollectible accounts for the last five Fiscal Years are set forth in Table 12.

Table 12
WASTEWATER CHARGES UNCOLLECTIBLE REVENUES[(1)]
Last Five Fiscal Years

Fiscal Year Ended June 30	***Uncollectible Revenues***	***Percent of Gross Billings***
2017	$146,608	0.21%
2018	135,443	0.19
2019	137,661	0.18
2020	162,213	0.20
2021	140,230	0.18

(1) Since the suspension of the discontinuance of service for past due residential accounts was implemented in March 2020, the District has not written off past due residential accounts as uncollectible while potential collection or recovery through State and federal economic assistance programs is pending. See also "THE DISTRICT – COVID-19."

Source: The District.

Wastewater Capacity Fees

The District assesses a Wastewater Capacity Fee on each new Wastewater System customer or each existing Wastewater System customer that increases demand for treatment processing on or after July 1, 1984, measured in wastewater volume and strength. The Wastewater Capacity Fee is a one-time charge based on the maximum monthly wastewater volume and average strength. In 2013, the Board approved a change in the Wastewater Capacity Fee calculations. These changes were made in order to address the recognition that the District's ultimate build-out scenario now projects lesser demand growth than previously assumed. This change resulted in a 60% increase in the calculated Wastewater Capacity Fee, which was phased-in over five years beginning in Fiscal Year 2014. In Fiscal Year 2022, the Wastewater Capacity Fee for a single family residence is $2,850. The fees for multi-family dwellings are $1,560 per dwelling unit 500 sq. ft. or less and $2,000 per dwelling unit greater than 500 sq. ft. The Wastewater Capacity Fee for other applicants is based on an analysis of the applicant's expected wastewater treatment needs.

Resource Recovery Revenues

As described under "THE WASTEWATER SYSTEM – Resource Recovery," the District accepts truck waste from outside its Wastewater System service area for disposal at the Main Wastewater Treatment Plant through its resource recovery program. Waste generators interested in disposing of trucked waste at the District's facilities are required to obtain a permit from the District (either directly or by utilizing an approved hauler possessing a District permit). Tipping fees are charged by the District for waste streams delivered by truck for disposal based upon type of waste and volume or weight. Types of customers include chicken processors, dairies, wineries, breweries, and industrial wastewater brokers and haulers. The District has approximately 190 permit holders bringing in both regular deliveries such as chicken blood or dairy brine and one time projects from industrial facility clean-outs.

In Fiscal Year 2021, total resource recovery program revenues received by the District from tipping fees totaled $12.3 million. For budgeting purposes, the District assumes resource recovery program revenues will be less in future years than currently generated due to increased competition from wastewater facilities that are beginning trucked waste acceptance programs that will be located closer to waste generators.

Property Tax Revenues

The District's share of the countywide 1% *ad valorem* property tax levy allocated to Special District No. 1 has provided approximately 4% to 5% of the revenues of the Wastewater System in each of the past five Fiscal Years for the District. The District's share of the countywide 1% *ad valorem* property tax levy allocated to Special District No. 1 is not pledged as a source of payment for the Wastewater System Revenue Bonds, although such amounts are applied to pay Wastewater Operation and Maintenance Costs in accordance with the Indenture.

Table 13 shows a five-year record of assessed valuations, secured roll levies and delinquencies for the taxable property included within Special District No. 1. Assessed valuations are expressed by county assessors as "full cash value" as defined by Article XIIIA of the State Constitution. The tax levy shown includes both the District's allocated share of the maximum *ad valorem* tax levy by each county of 1% of full cash value and the *ad valorem* tax levy imposed to pay debt service on the District's outstanding Wastewater System general obligation bonds, which were fully retired in April 2018.

Pursuant to California Revenue and Taxation Code Sections 4701 *et seq*., Contra Costa County and Alameda County each maintain a reserve fund for the purpose of guaranteeing 100% of the secured levies of the electing governmental jurisdictions for which such county collects taxes (commonly referred to as the "Teeter Plan"). The District has elected to participate in Contra Costa County's Teeter Plan program but has elected not to participate in Alameda County's Teeter Plan program. Consequently, the District is exposed to the effect of delinquencies in collections only for property located in Alameda County.

A Teeter Plan remains in effect unless the board of supervisors of the county that has established a Teeter Plan orders its discontinuance or unless, prior to the commencement of any fiscal year of such county, such board of supervisors receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts within the county, in which event the such board of supervisors is to order the discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. If the Board of Supervisors of Contra Costa County, or in the event that the District elects to participate in Alameda County's Teeter Plan, the Board of Supervisors of Alameda County, orders the discontinuance of the Teeter Plan, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which such county acts as the tax-levying or tax-collecting agency.

Table 13
TAXABLE PROPERTY WITHIN THE WASTEWATER SYSTEM
Assessed Valuation and Tax Collection Record

	Fiscal Year Ending June 30				
	2017	***2018***	***2019***	***2020***	***2021***
Assessed Valuation for Taxation Purposes[(1)(2)]					
Alameda County	$ 91,776,237,397	$ 98,101,088,469	$104,791,049,008	$112,571,652,641	$122,248,493,183
Contra Costa County	5,674,453,030	6,027,338,924	6,396,906,019	6,769,204,055	7,187,871,396
Total	$ 97,450,690,427	$104,128,427,393	$111,187,955,027	$119,340,856,696	$129,436,364,579
Secured Roll Tax Levy[(3)]					
Alameda County	$ 7,232,843	$ 6,300,863	$ 5,385,714	$ 5,782,135	$ 6,377,478
Contra Costa County	547,352	473,110	470,322	506,767	479,713
Total	$ 7,780,195	$ 6,773,973	$ 5,856,036	$ 6,288,902	$ 6,857,192
Delinquent June 30[(4)]					
Amount	$ 111,290	$ 79,688	$ 59,959	$ 74,239	$ 77,975
Percent	1.43%	1.18%	1.02%	1.18%	1.14%

(1) Net of all exemptions except homeowner's exemptions, the taxes on which are paid by the State. All valuations are stated on a 100% of full cash value basis as defined by law. Assessed valuations shown include redevelopment project area incremental valuations.

(2) Minor differences in assessed valuation numbers from amounts previously reported can occur from time to time due to a change in source data used.

(3) Net basis excluding all exemptions. Levies reflect the tax reductions effected by the adoption of Article XIIIA of the State Constitution in 1978, the "Jarvis-Gann Initiative." Includes *ad valorem* tax levied for repayment of Special District No. 1's general obligation bonds, which were fully retired in April 2018. For Alameda County, receipts include the District's share of prior years' delinquencies when collected.

(4) Amounts apply to Alameda County only, since Contra Costa County guarantees 100% payment of the District's secured roll levy. The delinquency percentages are based on the two counties' secured roll levies.

Sources: Auditor-Controller's Office, Alameda and Contra Costa Counties, as compiled by the District.

Historically, from time to time, legislation was enacted as part of the State budget to provide for the reallocation of local governments' shares of the countywide 1% *ad valorem* tax, including by shifting a portion of the property tax revenues collected by the counties from special districts (such as the District) to school districts or other governmental entities. Subsequently, certain amendments to the State Constitution have been enacted to reduce the State Legislature's authority over local revenue sources by placing restrictions on, among other things, the State's access to local governments' property tax revenues. For example, on November 2, 2004 voters within the State approved Proposition 1A, which prevented the State from reducing local government's share of the 1% ad valorem property tax below levels in effect as of November 3, 2004, except in the case of fiscal emergency. Proposition 1A provided that in the case of fiscal emergency, the State could borrow up to 8% of local property tax revenues to be repaid within three years. Following the exercise by the State of its authority to borrow such local property tax revenues as part of the 2009-10 State budget act, on November 2, 2010, voters within the State approved Proposition 22, which prohibits any future action by the State Legislature to take, reallocate or borrow money raised by local governments for local purposes, and prohibits changes in the allocation of property taxes among local governments to aid State finances or pay for State mandates. Proposition 22 thereby effectively repealed the provisions of Proposition 1A allowing the State to borrow local property tax revenues from local governments, and prohibits any such future borrowing.

There can be no assurances that legislation or voter initiatives enacted or approved in the future will not reduce or eliminate the District's share of the 1% countywide *ad valorem* property tax revenues. See also "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" in the front part of this Official Statement.

The tax rolls for property located within the District's Wastewater System service area for the Fiscal Year ended June 30, 2021, aggregated a total assessed valuation of approximately $129.4 billion, including redevelopment project areas incremental valuations of which the taxes payable were due to the redevelopment agency. In 2011, the State enacted legislation commonly referred to as "AB1X 26," which required the dissolution of California redevelopment agencies and the dissolution and winding up of the operations of those agencies, which dissolution occurred on February 1, 2012. AB1X 26 provides a framework for the management of the remaining obligations of the dissolved redevelopment agencies by their respective successor agencies and oversight boards to oversee those successor agencies. Pursuant to AB1X 26, tax increment will continue to flow to the payment of "enforceable obligations" (such as tax allocation bonds) of the dissolved redevelopment agencies.

Grants and Reimbursements

The District periodically receives grants for specific projects. In addition, the District from time to time receives certain reimbursements for capital costs, primarily in connection with facility relocations. In Fiscal Year 2021, the District collected approximately $1.8 million in grants and reimbursements for the Wastewater System. No grants and reimbursements are anticipated for Fiscal Year 2022. No grant receipts and facility relocation reimbursements are budgeted for Fiscal Years 2023 and 2024. Grants and facility relocation reimbursements received are treated as capital contributions and are not included in Subordinated Wastewater Revenues for purposes of the Indenture.

Operation and Maintenance Costs

The primary component of the District's Wastewater System Operation and Maintenance Costs is labor costs, including wages, salaries and benefits. Operation and Maintenance Costs also include materials, supplies and services such as treatment chemicals and sludge disposal costs, and other general and administrative expenses.

Outstanding Debt

Table 14 shows Wastewater System debt outstanding as of April 30, 2022. As provided in the Municipal Utility District Act, prior to the exercise by the District of its power to issue Wastewater System revenue bonds, a preliminary resolution is adopted by the Board declaring its intention to authorize the issuance of revenue bonds and specifying, among other things, the maximum principal amount of bonds then proposed to be issued (excluding refunding bonds) pursuant to such resolution. As of April 30, 2022 (and prior to the issuance of the Series 2022 Bonds), the District has $186,025,000 of authorized but unissued Wastewater System revenue bonds under Resolution No. 33781-10 adopted on September 14, 2010, pursuant to which the Board declared its intention to authorize the issuance of up to $200,000,000 of Wastewater System revenue bonds, from time to time in one or more series. The issuance of revenue bonds by the District is not subject to prior voter approval, although such resolutions of intention to authorize the issuance of bonds are subject to a 60-day referendum period (which, with respect to Resolution No. 33781-10, expired without challenge). The District may from time to time in the future adopt other resolutions authorizing the issuance of additional Wastewater System Revenue Bonds, subject to the satisfaction of the conditions set forth in the Indenture. See "SECURITY FOR THE SERIES 2022 BONDS – Issuance of Additional Wastewater System Revenue Bonds and Parity Debt; Junior and Subordinate Obligations" in the front part of this Official Statement.

From time to time, the District applies for and is granted loan funds from the SWRCB under the Clean Water State Revolving Fund loan program. The SWRCB loans ("State Loans") are low-interest loans made by the SWRCB to fund various water quality infrastructure projects. The District may in the future apply for additional State Loans. The SWRCB requires all future debt issued by agencies involved in loan contracts under the Clean Water State Revolving Fund loan program to be issued on a parity with or subordinate to the State Loans. The District currently has no outstanding State Loans for the Wastewater System. Any future State Loans would likely constitute Parity Debt under the Indenture.

Pursuant to the authority of the Municipal Utility District Act, the Board has declared its intention to authorize the issuance of short-term indebtedness of the District (which may include commercial paper notes and/or other forms of bonds, notes or other evidences of short-term indebtedness, including bank credit) in a maximum outstanding principal amount not exceeding the lesser of (1) the annual average of the District's total revenue for the three preceding years or (2) 25% of the District's total outstanding bonds issued pursuant to Chapters 6, 7 and 8 of the Municipal Utility District Act. The District has determined the maximum authorized principal amount of short-term indebtedness (including short-term indebtedness of the Water System and the Wastewater System) pursuant to the above limit to be an amount not to exceed $669,174,000 as of June 30, 2021. The District currently maintains two commercial paper note programs for the benefit of the Wastewater System and the District's Water System. Under the extendable municipal commercial paper program, commercial paper may be issued for the Wastewater System or the Water System at prevailing interest rates for periods of not more than 120 days from the date of issuance with the option by the District to extend the maturity for another 150 days. The extendable municipal commercial paper program is not supported by any liquidity or revolving credit agreement. Under the District's traditional commercial paper program, commercial paper notes may be issued for the Wastewater System or the Water System at prevailing interest rates for periods of not more than 270 days from the date of issuance. In connection with its traditional commercial paper program, the District has covenanted to procure and maintain in effect for any series or subseries of commercial paper notes issued thereunder one or more liquidity facilities enabling it to borrow an aggregate amount at least equal to the principal amount of such series or subseries of commercial paper notes. As of April 30, 2022, the District had outstanding $322,100,000 principal amount of commercial paper notes, including $9,300,000 of Tax-exempt Extendable Municipal Commercial Paper Notes (Wastewater Series) ("Wastewater System CP Notes") issued under the District's extendable municipal commercial paper program, which outstanding principal amount of Wastewater System CP Notes was reduced to $8,000,000 as a result of the District paying down $1,300,000 of such Wastewater System CP Notes on May 18, 2022 from available cash. As of April 30, 2022, the District had no Commercial Paper Notes (Wastewater Series) issued under the District's traditional commercial paper program. The Wastewater System CP Notes, together with any additional commercial paper notes issued by the District for the benefit of the Wastewater System under either the District's extendable municipal commercial paper program or its traditional commercial paper program (and the District's repayment obligation for amounts borrowed, if any, under any applicable liquidity facility therefor), are payable from and secured by a pledge of Wastewater Revenues on a basis subordinate to the Wastewater System Revenue Bonds and Parity Debt.

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Table 14
OUTSTANDING WASTEWATER SYSTEM DEBT
(as of April 30, 2022)

	Date of Issue	*Last Maturity*	*Amount Issued*	*Outstanding April 30, 2022*
Wastewater System Revenue Bonds:				
Revenue Bonds, Series 2010B (Build America Bonds)	10/20/10	06/01/40	$150,000,000	$150,000,000
Revenue Refunding Bonds, Series 2012A[(1)]	10/10/12	06/01/37	20,000,000	20,000,000
Revenue Refunding Bonds, Series 2014A	08/28/14	06/01/31	82,150,000	50,415,000
Revenue Refunding Bonds, Series 2015A	03/03/15	06/01/38	68,370,000	68,370,000
Revenue Refunding Bonds, Series 2015B	03/03/15	06/01/30	2,795,000	1,800,000
Revenue/Refunding Bonds, Series 2017A	06/14/17	06/01/45	69,420,000	57,305,000
Total Wastewater System Revenue Bonds			$392,735,000	$347,890,000
Subordinate Debt:				
Extendable Commercial Paper Notes (Wastewater Series)	Various	Various	9,300,000[(2)]	9,300,000[(3)]
Total Debt			$402,035,000	$357,190,000

(1) Anticipated to be refunded in full in connection with the issuance of the Series 2022 Bonds. See “PLAN OF FINANCE” in the front part of this Official Statement.
(2) Commercial paper notes may be issued in an amount up to the statutory limit described herein. In Fiscal Year 2021, the District paid down $0.7 million of outstanding Extendable Municipal Commercial Paper Notes (Wastewater Series) from available cash.
(3) On May 18, 2022, the District paid down $1.3 million of its outstanding Extendable Municipal Commercial Paper Notes (Wastewater Series) from available cash, resulting in an outstanding principal amount of $8 million of Extendable Municipal Commercial Paper Notes (Wastewater Series).
Source: The District.

Debt Service Requirements

Table 15 shows future payments on outstanding debt.

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Table 15

WASTEWATER SYSTEM ESTIMATED DEBT SERVICE[1]

Fiscal Year Ending June 30	*Outstanding Wastewater System Revenue Bonds*			*Series 2022 Bonds*			*Total Bonds*	*Wastewater System CP Notes[3]*	*Total Debt Service[4]*
	Principal	*Interest[2]*	*Total*	*Principal*	*Interest*	*Total*			
2022	$ 11,480,000	$ 17,376,463	$ 28,856,463				$ 28,856,463	$ 285,000	$ 29,141,463
2023	12,010,000	16,806,963	28,816,963				28,816,963	285,000	29,101,963
2024	12,575,000	16,210,423	28,785,423				28,785,423	285,000	29,070,423
2025	13,155,000	15,585,743	28,740,743				28,740,743	285,000	29,025,743
2026	13,760,000	14,932,283	28,692,283				28,692,283	285,000	28,977,283
2027	14,220,000	14,247,583	28,467,583				28,467,583	285,000	28,752,583
2028	14,925,000	13,539,965	28,464,965				28,464,965	285,000	28,749,965
2029	15,670,000	12,797,180	28,467,180				28,467,180	285,000	28,752,180
2030	16,445,000	12,025,314	28,470,314				28,470,314	285,000	28,755,314
2031	17,255,000	11,210,889	28,465,889				28,465,889	285,000	28,750,889
2032	18,115,000	10,354,652	28,469,652				28,469,652	285,000	28,754,652
2033	19,010,000	9,458,969	28,468,969				28,468,969	285,000	28,753,969
2034	19,955,000	8,512,736	28,467,736				28,467,736	285,000	28,752,736
2035	20,945,000	7,522,209	28,467,209				28,467,209	285,000	28,752,209
2036	21,985,000	6,482,644	28,467,644				28,467,644	285,000	28,752,644
2037	23,075,000	5,391,583	28,466,583				28,466,583	285,000	28,751,583
2038	24,365,000	4,246,650	28,611,650				28,611,650	285,000	28,896,650
2039	26,250,000	2,991,194	29,241,194				29,241,194	285,000	29,526,194
2040	27,610,000	1,632,494	29,242,494				29,242,494	285,000	29,527,494
2041	940,000	203,400	1,143,400				1,143,400	285,000	1,428,400
2042	975,000	165,800	1,140,800				1,140,800	285,000	1,425,800
2043	1,015,000	126,800	1,141,800				1,141,800	285,000	1,426,800
2044	1,055,000	86,200	1,141,200				1,141,200	285,000	1,426,200
2045	1,100,000	44,000	1,144,000				1,144,000	285,000	1,429,000
Total[4]	$347,890,000	$201,952,134	$549,842,134	$	$	$	$549,842,134	$6,840,000	$556,682,134

(1) Debt service is calculated on a cash basis.
(2) Includes debt service on the Series 2010B Bonds, Series 2012A Bonds to be refunded, the Series 2014A Bonds, the Series 2015A Bonds, the Series 2015B Bonds and the Series 2017A Bonds.
(3) Assumes $9,500,000 outstanding at assumed interest rate of 3.00%. Includes interest only (no principal amortization). While the commercial paper program is limited by statute to seven years, it is the District's intention to reestablish the commercial paper program after each seven-year period. The District may increase the amount of the commercial paper program in the future subject to the limit described herein.
(4) Totals may not add due to rounding.

Source: The District.

Financial Management Policies

The District has detailed management policies that include guidelines for debt, capital planning, investments, derivatives, and formal reserves. It is the current Board-approved policy of the District to seek to maintain a debt service coverage ratio of 1.6 times on its outstanding Wastewater System Revenue Bonds and to fund no more than 65% of its capital program over each five-year planning period from proceeds of debt. The debt policy also limits unhedged variable rate debt to 25% of the total debt portfolio. Derivatives use is governed by a comprehensive derivatives policy with guidelines for counterparties, termination, and risk exposure. The District's current policy target for debt service coverage is higher than that required by the rate covenant under the Indenture and may be changed at the Board's discretion. See "SECURITY FOR THE SERIES 2022 BONDS – Rate Covenant."

In accordance with its current cash reserves policy, the District budgets for a number of formal reserves for the Wastewater System, including the following:

- a working capital reserve of at least three times monthly net operating and maintenance expenses;
- a self-insurance liability program reserve in an amount based upon established actuarially determined funding guidelines or, if not yet available at the end of the fiscal year, 1.15 times the prior year reserve target (which reserve amount was approximately $1.2 million as of December 31, 2021);
- a workers' compensation program reserve in an amount based upon established actuarially determined funding guidelines or, if not yet available at the end of the fiscal year 1.15 times the prior year reserve target (which amount was approximately $0.9 million as of December 31, 2021); and
- a contingency/rate stabilization reserve of at least 5% of operating and maintenance expenses (which contingency/rate stabilization reserve is included in the Rate Stabilization Fund provided for in the Indenture (see "SECURITY FOR THE SERIES 2022 BONDS – Pledge of Subordinated Wastewater Revenues")).

The aggregate reserves maintained by the District for these four formal reserves for the Wastewater System as of December 31, 2021 was approximately $55.4 million, which satisfies or exceeds the reserve policy target level.

The current investment policy dictates investment criteria, reporting, and administrative requirements. See "– District Investment Policy" below.

District Investment Policy

Funds of the District are invested in accordance with the Government Code of the State, the Municipal Utility District Act and the District's investment policy. The four primary investment criteria set forth in the District's written investment policy are (in order of priority): (1) safety; (2) liquidity; (3) yield; and (4) diversification. In order to keep funds available to meet commitments, the District's investment policy provides that the maturity date (or put provision) of individual investments shall not exceed five years and that the average maturity of the portfolio shall not exceed 900 days. Investments permitted by the District's current investment policy include U.S. Treasury Obligations, U.S. Government Agencies Obligations, State of California's Local Agency Investment Fund (LAIF), a Local Government Investment Pool (LGIP), including the California Asset Management Program (CAMP) and the Investment Trust of California (CalTRUST), Money Market Mutual Funds, Certificates of Time Deposit, Negotiable Certificates of Deposit, Commercial Paper, Medium Term Corporate Notes, Repurchase

Agreements and Municipal Obligations, limited to California issuers, including the State of California. Monies in the funds and accounts held by the Trustee under the Indenture may be invested only in Investment Securities, as defined therein. The District does not enter into reverse repurchase agreements or otherwise borrow for purposes of investing. The District does not invest in highly volatile derivatives and other such securities.

Pursuant to the District's investment policy, all securities purchased from dealers and brokers are held in safekeeping by the District's custodial bank. All transactions require delivery of the security prior to payment for the security (delivery vs. payment). Collateral, when required, would only be in U.S. Treasury or U.S. Government Agencies Obligations, with a Master Repurchase Agreement on file with the District. Trade confirmations are reviewed for conformity to the original transaction by an individual other than the one who originated the transaction. On a monthly basis, a report listing transactions is submitted to the General Manager and the District's Board; and on a quarterly basis, an investment report is submitted to the General Manager and the Finance/Administration Committee of the District's Board. This quarterly report includes the type of investment, issuer, date of maturity, par and dollar amount invested for all securities, investments and moneys held by the District, and provides an investment summary by security type, percent of the portfolio, investment yield and the remaining period of investment to maturity.

Cash and Investments

The District's cash and investments are segregated by restricted and unrestricted amounts. Restricted cash and investments generally include bond proceeds and debt service reserve funds, developer advances and capital contributions, and other miscellaneous restricted amounts. At June 30, 2021, the breakdown between restricted and unrestricted amounts for the Wastewater System is as follows:

Table 16
WASTEWATER SYSTEM
CASH AND INVESTMENTS
(As of June 30, 2021)
(Thousands)

Cash and investments included in current and unrestricted assets	$110,829
Cash and investments included in restricted assets	333
Total cash and investments	$111,162

Source: The District.

See also "– *Cash and Investments by Fund*" in the Management's Discussion and Analysis included in APPENDIX B – "EAST BAY MUNICIPAL UTILITY DISTRICT AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2020 AND 2021." Additional information regarding the District's investment portfolio may also be found in Note 2 in the District's financial statements included in APPENDIX B – "EAST BAY MUNICIPAL UTILITY DISTRICT AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2020 AND 2021."

Historical Operating Results

The District's financial statements for Fiscal Year 2021, and the Report of Maze & Associates, independent accountants, are included as Appendix B, and should be read in their entirety. The summary of operating results for Fiscal Years 2017 through 2021 contained in Table 17 is derived from information from the audited financial statements for such Fiscal Years and is qualified in its entirety by reference to such statements, including the notes thereto.

Table 17 sets forth the historical operating results and the calculation of the debt service coverage ratio for the Wastewater System for each of the last five Fiscal Years.

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Table 17
WASTEWATER SYSTEM
Historical Operating Results and Debt Service Coverage[1]
Fiscal Years 2017 through 2021

	2017	*2018*	*2019*	*2020*	*2021*
WASTEWATER REVENUES[2]					
Dry Weather User Charges	$ 69,999,373	$ 74,726,870	$ 78,108,092	$ 79,881,685	$ 81,078,226
Wet Weather Facilities Charges	23,104,818	24,293,238	25,112,787	27,090,108	28,315,516
Interest	654,595	1,217,101	2,372,907	1,851,344	281,743
Resource Recovery	11,904,249	11,786,366	12,214,540	12,074,141	12,315,606
Wastewater Capacity Fees	7,969,321	11,418,610	13,259,943	5,697,283	7,203,746
Other Revenues[3]	5,253,614	4,477,132	2,125,817	2,760,262	3,221,007
TOTAL WASTEWATER REVENUE	$118,885,970	$127,919,317	$133,194,086	$129,354,823	$132,415,844
RATE STABILIZATION FUND TRANSFERS					
Deposits to the Rate Stabilization Fund	$ 0	$ 0	$ 0	$ 0	$ (7,910,000)
Withdrawals from Rate Stabilization Fund for Inclusion in Revenues	0	0	0	0	0
WASTEWATER REVENUES AFTER RATE STABILIZATION TRANSFER	$118,885,970	$127,919,317	$133,194,086	$129,354,823	$124,505,844
WASTEWATER OPERATION & MAINTENANCE COSTS[4]					
Operating Expenses	$ 58,550,842	$ 62,608,477	$ 63,362,686	$66,485,966	$69,009,326
(Less Tax Receipts)[5]	(4,914,980)	(5,428,849)	(5,768,972)	(6,285,937)	(6,858,522)
TOTAL WASTEWATER OPERATION & MAINTENANCE COSTS	$ 53,635,862	$ 57,179,628	$ 57,593,714	$ 60,200,029	$ 62,150,804
NET WASTEWATER REVENUES	$ 65,250,108	$ 70,739,689	$ 75,600,372	$ 69,154,794	$ 62,355,040
PARITY DEBT SERVICE					
Wastewater System Revenue Bonds[6]	$ 29,099,228	$ 26,695,724	$ 26,738,995	$ 26,733,361	$ 26,338,512
Parity State Loans	0	0	0	0	0
TOTAL PARITY DEBT SERVICE	$ 29,099,228	$ 26,695,724	$ 26,738,995	$ 26,733,361	$ 26,338,512
PARITY DEBT SERVICE COVERAGE	**2.24**	**2.65**	**2.83**	**2.59**	**2.37**
SUBORDINATE WASTEWATER SYSTEM DEBT SERVICE[7]	$ 109,216	$ 166,796	$ 249,715	$ 163,043	$ 19,875
TOTAL PARITY AND SUBORDINATE DEBT SERVICE	$ 29,208,444	$ 26,862,520	$ 26,988,710	$ 26,896,404	$ 26,358,387
PARITY AND SUBORDINATE DEBT SERVICE COVERAGE	2.23	2.63	2.80	2.57	2.37

(1) Calculated in accordance with the Indenture as footnoted.

(2) Wastewater Revenues exclude grant receipts, taxes and certain reimbursements.

(3) Through Fiscal Year 2017, Other Revenues includes BABs Interest Subsidy Payments received and due to the District in connection with Series 2010B Bonds which are Build America Bonds. Beginning in Fiscal Year 2018, the subsidy is not included in Other Revenues (see Note 6). Other Revenues also includes revenues received from the sale of energy to the utility grid of $900,014 in Fiscal Year 2017, $1,109,183 in Fiscal Year 2018, $542,293 in Fiscal Year 2019, $ 914,620 in Fiscal Year 2020 and $662,514 in Fiscal Year 2021.

(4) Excludes depreciation and amortization expenses. Also reflects certain adjustments for non-cash pension and OPEB expenses.

(5) Wastewater Operation and Maintenance Costs exclude those expenses paid from the share of the 1% countywide *ad valorem* tax levy allocated to Special District No. 1.

(6) Net of capitalized interest. Through Fiscal Year 2017, debt service on the Series 2010B Bonds is gross of the BABs Interest Subsidy Payments received by the District. In accordance with amendments to the Indenture which became effective on June 14, 2017, commencing in Fiscal Year 2018 BABs Interest Subsidy Payments received and due to the District are treated as an offset to interest paid by the District on the 2010B Bonds.

(7) Includes outstanding Wastewater System commercial paper notes and interest only with no principal amortization.

Source: The District.

District Management's Discussion of Fiscal Year 2021 Operating Results

As reflected in the preceding table summarizing the District's operating revenues operating expenses and debt service coverage ratios for the five Fiscal Years ended June 30, 2017 through June 30, 2021, recent Fiscal Years have been characterized by annual rate increases leading to generally stable-to-increasing revenues and debt service coverage above the District's policy target of 1.60 times. Wastewater Revenues increased approximately $3.1 million from $129.4 million in Fiscal Year 2020 to $132.4 million in Fiscal Year 2021, reflecting a stable customer base, rate increases, and year-over-year growth in Wastewater Capacity Fees. Property tax receipts increased in Fiscal Year 2021, growing $0.6 million, or 9.1% year-over-year.

Operating expenses increased from approximately $66.5 million in Fiscal Year 2020 to $69.0 million in Fiscal Year 2021, partially due to higher treatment plant operating costs and higher costs associated with sewer lines and pumping.

Net Wastewater Revenues decreased from approximately $69.2 million in Fiscal Year 2020 to $62.4 million in Fiscal Year 2021, reflecting a $7.9 million transfer to the Rate Stabilization Fund reserves for such Fiscal Year.

Parity lien debt service coverage in Fiscal Year 2021 was approximately 2.37 times, reflecting the growth in revenues, offset by growth in expenses and the transfer to the Rate Stabilization Fund. The Rate Stabilization Fund deposit provides the District with a tool to maintain stable revenues and policy level coverage in future years. Debt service coverage has remained above 2.00 times each year between Fiscal Year 2017 and Fiscal Year 2021.

See also "Management's Discussion and Analysis" contained in APPENDIX B – "EAST BAY MUNICIPAL UTILITY DISTRICT AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020."

Projected Operating Results

In the preparation of the projections in this section, the District has made certain assumptions with respect to conditions that may occur in the future. While the District believes these assumptions are reasonable for the purpose of the projections, they are dependent on future events. See the footnotes to Table 18 below for relevant assumptions, including assumed future average annual rate increases in wastewater rates. See also "– Discussion of Projected Operating Results for Fiscal Year 2022" and "– Discussion of Budget Projections for Fiscal Years 2022 through 2026." Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur. To the extent actual future factors differ from those assumed by the District or provided to the District by others or unanticipated events or circumstances occur, the actual results will vary from those forecasted, and such variations may be material. The projected information has not been compiled, reviewed or examined by the District's independent accountants.

Table 18 sets forth the projected operating results and calculation of the debt service coverage ratios for the Wastewater System for the current Fiscal Year and as derived from the Five-Year Financial Forecast for the five Fiscal Years 2022 through 2026. Projected results for Fiscal Year 2022 were originally developed in connection with the District's biennial budget for Fiscal Years 2022 and 2023, and were subsequently updated in connection with the District's semi-annual budget performance review to reflect actual results experienced through December 31, 2021 and expectations as of such date for the remainder of Fiscal Year 2022. The Five-Year Financial Forecast for Fiscal Years 2022 through 2026 was developed in connection with the District's biennial budget for Fiscal Years 2022 and 2023. The District's biennial budget and rate increases for Fiscal Years 2022 and 2023 were approved and adopted by the

Board on June 8, 2021. In the preparation of the projected operating results and five-year forecast, the District has taken into account limited growth in the service area and the expectations for the future economic environment. See also "– Discussion of Projected Operating Results for Fiscal Year 2022" and "– Discussion of Budget Projections for Fiscal Years 2022 through 2026" below.

The projection period reflects the approved overall rate increases of 4.00% for Fiscal Year 2022 and 4.00% for Fiscal Year 2023. Annual rate increases of 4.00% are assumed for each of Fiscal Years 2024 through 2026. Any such assumed rate increases will be subject to future Board approval. Projected Operating Expenses incorporate salary and benefit expectations.

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Table 18
WASTEWATER SYSTEM
Projected Operating Results and Debt Service Coverage (Millions)
Fiscal Years 2022 through 2026

	FY 2022 Projected Results	*FY 2022 and 2023 Budget Five-Year Financial Forecast*				
	2022[1]	*2022[2]*	*2023[2]*	*2024[2]*	*2025[2]*	*2026[2]*
WASTEWATER REVENUES[3]						
Dry Weather User Charges[4]	$ 85.6	$ 86.5	$ 90.1	$ 93.9	$ 97.9	$102.0
Wet Weather Facilities Charges[4]	29.7	29.7	30.9	32.1	33.4	34.8
Interest Earnings[5]	0.1	0.3	0.5	0.5	0.8	1.1
Resource Recovery	12.0	9.0	8.0	7.8	7.6	7.4
Wastewater Capacity Fees	6.3	3.0	3.1	3.2	3.3	3.4
Other Revenue[6]	3.5	4.2	3.9	3.7	3.4	3.4
TOTAL WASTEWATER REVENUES	$137.2	$132.6	$136.5	$141.2	$146.4	$152.1
RATE STABILIZATION FUND TRANSFERS:						
Deposits to the Rate Stabilization Fund	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0
Withdrawals from Rate Stabilization Fund for Inclusion in revenues	0.0	0.0	0.0	0.0	0.0	0.0
WASTEWATER REVENUES AFTER RATE STABILIZATION TRANSFER	$137.2	$132.6	$136.5	$ 141.2	$146.4	$152.1
WASTEWATER OPERATION & MAINTENANCE COSTS						
Operating Expense[7]	$ 79.5	$ 79.0	$ 83.2	$ 85.9	$ 88.9	$ 92.1
(Less Tax Receipts)[8]	(6.5)	(6.3)	(6.3)	(6.3)	(6.3)	(6.3)
TOTAL WASTEWATER OPERATION & MAINTENANCE COSTS	$ 73.0	$ 72.7	$ 76.9	$ 79.6	$ 82.6	$ 85.8
NET WASTEWATER REVENUES	$ 64.2	$ 59.8	$ 59.6	$ 61.6	$ 63.9	$ 66.4
PARITY DEBT SERVICE						
Wastewater System Revenue Bonds[9]	$ 26.4	$ 26.9	$ 28.1	$ 29.5	$ 30.6	$ 32.0
Parity State Loans	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL PARITY DEBT SERVICE	$ 26.4	$ 26.9	$ 28.1	$ 29.5	$ 30.6	$ 32.0
PARITY DEBT SERVICE COVERAGE	2.44	2.22	2.13	2.09	2.09	2.08
SUBORDINATE WASTEWATER SYSTEM CP NOTES DEBT SERVICE[10]	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1
TOTAL PARITY AND SUBORDINATE DEBT SERVICE	$ 26.4	$ 27.0	$ 28.1	$ 29.6	$ 30.7	$ 32.1
PARITY AND SUBORDINATE DEBT SERVICE COVERAGE	2.43	2.21	2.12	2.08	2.08	2.07

(1) Fiscal Year 2022 projected results are based upon the District's biennial budget for Fiscal Years 2022 and 2023 which was approved by the Board on June 8, 2021, as subsequently updated in connection with the District's Fiscal Years 2022 & 2023 mid-cycle budget update to reflect actual results through March 31, 2022. See also "– Discussion of Projected Operating Results for Fiscal Year 2022" below.

(2) Reflects Fiscal Years 2022 through 2026 projected results as derived from the District's Five-Year Financial Forecast prepared in connection with the biennial budget for Fiscal Years 2022 and 2023 which was approved by the Board on June 8, 2021. Certain figures have been adjusted to account for the treatment of revenues and expenses under the Indenture which differs in certain respects from treatment for budgetary purposes.

(3) Wastewater Revenues exclude grant receipts, taxes and certain reimbursements.

(Table footnotes continued on following page.)

(Footnotes to table continued from prior page.)

(4) Reflects adoption of 4.0% average annual rate increase for Fiscal Years 2022 and 2023, and assumes average annual rate increases of 4% in each of Fiscal Years 2024, 2025 and 2026. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" in the front part of this Official Statement.

(5) Fiscal Year 2022 is based on estimated earnings for that year. Excludes non-cash change in fair market value of investments.

(6) Other Revenue includes estimated collections from power sales and inspection fees from the private sewer laterals program.

(7) Assumes approximately 4.2% annual increase in Operating Expenses.

(8) Wastewater Operation and Maintenance Costs excludes those expenses paid from *ad valorem* taxes.

(9) Debt service on the Series 2010B Bonds is net of the expected BABs Interest Subsidy Payments and capitalized interest. In light of the potential effect on ongoing sequestration, the District has assumed cash receipts of approximately 32.5% of the interest payable on the Series 2010B Bonds (93% of the BABs Interest Subsidy Payments of $2.69 million of the BABs Interest Subsidy Payments of 35% provided for under the American Recovery and Reinvestment Act of 2009) for Fiscal Years 2022 through 2026. Debt service for the Fiscal Year 2022 projected results is actual projection for Fiscal Year 2022, less BABs Interest Subsidy Payments. For the Five-Year Financial Forecast, assumes issuance of additional Wastewater System Revenue Bonds of approximately $20 million in Fiscal Year 2023, $25 million in Fiscal Year 2024, $20 million in Fiscal Year 2025, and $25 million in Fiscal Year 2026. The Five-Year Financial Forecast is as projected in the biennial budget for Fiscal Years 2022 and 2023, which does not reflect the actual structure and timing of the issuance of the Series 2022 Bonds. See "PLAN OF FINANCE" in the front part of this Official Statement. The actual size and timing of future debt issuances undertaken by the District will be determined by the District based on market considerations and other factors.

(10) Fiscal Year 2022 projected results is based on estimated interest for that year. For the Five-Year Financial Forecast, assumes interest only at 1.0%, 1.0%, 1.0%, 1.25%, and 1.50% per annum, respectively, for Fiscal Years 2022 through 2026. There were $9.3 million of Wastewater System CP Notes outstanding at the start of Fiscal Year 2022.

Source: The District.

Discussion of Projected Operating Results for Fiscal Year 2022

Total Wastewater System revenues for Fiscal Year 2022 are projected to be $137.2 million or $4.6 million more than originally budget primarily due to higher than budgeted revenues for the Resource Recovery Program and Wastewater connection charges. Wastewater treatment revenues for Fiscal Year 2022 are projected to be $85.6 million which is $0.9 million less than budgeted due to the expectation that customers will continue to conserve water throughout the duration of the current drought. Projected Fiscal Year 2022 operating expenses are projected to be $79.5 million, which is $0.5 million more than originally projected, primarily attributable to reduced capital labor spending than expected. If the current projections of revenues and expenditures are realized, the District would end Fiscal Year 2022 with a parity debt service coverage ratio of 2.44x.

As described, the projected operating results for Fiscal Year 2022 were originally developed in connection with the District's biennial budget for Fiscal Years 2022 and 2023, and were subsequently updated in connection with the District's mid-cycle budget update to reflect actual results experienced through March 31, 2021 and expectations as of such date for the remainder of Fiscal Year 2022. The actual results may differ from those projected.

Discussion of Budget Projections for Fiscal Years 2022 through 2026

The Five-Year Financial Forecast for the period between Fiscal Years 2022 and 2026 is based on specified assumptions, reflected in the footnotes to Table 18 and outlined below. The first two years in the Five-Year Financial Forecast are based upon the District's two-year budget. The final biennial budget for Fiscal Years 2022 and 2023 was approved by the Board on June 8, 2021. In conjunction with the Board's approval of the District's biennial budget, the Board adopted rate increases for Fiscal Years 2022 and 2023, following a public hearing on the proposed rate increases held on June 8, 2021. See "– Rates and Charges" above.

Based upon the base budget assumptions outlined below, revenues are forecast to increase by 3.5% annually over the five-year period between Fiscal Years 2022 and 2026 as reflected in the budget forecasted amounts, while forecasted operating expenses are expected to grow by an average of approximately 4.2% per year and debt service increases by an average of 4.3% per year. Capital cash flow spending is projected at $243.2 million over the five-year period between Fiscal Years 2022 and 2026. Projected capital expenditures are directed at sustained reinvestments in physical infrastructure. Planned capital projects include treatment plant infrastructure improvements, interceptor rehabilitation, odor control improvements and digester upgrades.

The average percentage of capital funded from debt is projected at 40.3% over that period, lower than the financial policy maximum of 65%. Revenue bond debt service coverage is projected to meet or exceed the 1.6x policy target each year and increase annually throughout the period. In Fiscal Year 2022, revenue bond debt service coverage was projected in the Five-Year Financial Forecast to be 2.22x. In Fiscal Year 2023 revenue bond debt service coverage is projected to be 2.13x. Debt service coverage is projected to remain relative steady, at 2.09x, 2.09x, and 2.08x in Fiscal Years 2024, 2025 and 2026, respectively. Reserve balances, including the Rate Stabilization Fund reserve, are projected to meet or exceed the policy reserve levels throughout the five-year period. Total reserves are projected at over $99.3 million in each year, and the Rate Stabilization Fund reserve is projected to remain at $32.0 million throughout the five-year projection period.

The Five-Year Financial Forecast for the period between Fiscal Years 2022 and 2026 is based on certain assumptions, which the District believes to be reasonable, incorporating among other factors a slight decrease in the volume of treatment flow due to lower water use in recent years. The assumed overall increases to treatment rates and wet weather charges for Fiscal Years 2022 and 2023 are 4% and 4%, respectively, consistent with the adopted budget and Proposition 218 notice. The same overall rate increases of 4% per annum are assumed for Fiscal Years 2024, 2025 and 2026.

Employees' Retirement System

General. The District has a contributory retirement system covering substantially all of its employees (including the Water System and Wastewater System). The East Bay Municipal Utility District Employees' Retirement System (the "Retirement System") was established in 1937 to administer a single-employer, contributory, defined benefit pension plan (the "Plan") to provide retirement, disability, survivorship and post-employment health insurance benefits ("HIB") for eligible directors, officers and employees of the District. The Plan is funded by contributions from its members and from the District, and from investment earnings on Plan assets. The payment of benefits earned by Plan members of the Retirement System is an obligation of the District. Employees of the District are also covered by Social Security.

The Retirement System is administered by a Retirement Board composed of three members appointed by the District Board, two members elected by and from the active membership and one (nonvoting) member elected by and from the retired membership of the Retirement System. Ordinance No. 40 of the District, effective October 1, 1937, as amended (the "Retirement System Ordinance"), assigns the authority to establish Plan benefit provisions to the District Board.

Contributions to the Retirement System are made by the members and the District. Each member's contribution is based upon a percentage of that member's covered compensation. The employee contribution rates for 1955/1980 Plan members (*i.e.*, employees first hired prior to January 1, 2013) are prescribed in the Retirement System Ordinance and may be adjusted by the District Board solely pursuant to the terms of a negotiated collective bargaining agreement or MOU with employee bargaining units. Pursuant to applicable provisions of the California Public Employees' Pension

Reform Act of 2013 as codified ("PEPRA"), 2013 Tier members (*i.e.*, employees first hired on or after January 1, 2013) are required to contribute at least 50% of the "normal cost" rate. The District employees' contribution rate for 1955/1980 Plan members (which includes a 0.09% contribution to the HIB) is 8.75%, effective since April 18, 2016. The District employees' contribution rate for 2013 Tier members (which also includes a 0.09% contribution to the HIB) is established by the District Board, and such rates are based upon actuarial valuations. The current District employees' contribution rate for 2013 Tier members (including the 0.09% contribution to the HIB) is 9.50%, effective since July 1, 2021.

The District (employer) contributions are based upon percentages of the aggregate amount of members' covered compensation. Employer contribution percentages are established by the District Board. Such percentages are based upon actuarial valuations. The District's employer contribution percentage for 1955/1980 Plan members has been established at 47.16% for Fiscal Year 2022 (including a 4.79% contribution to the HIB) and has been established at 37.84% for 2013 Tier members (including a 4.52% contribution to the HIB). For Fiscal Year 2023, based upon the June 30, 2021 funding valuation reports prepared by the actuary, the recommended District employer contribution percentage for 1955/1980 Plan members is 44.81% (including a 4.78% contribution to the HIB) and is 35.81% for 2013 Tier members (including a 4.48% contribution to the HIB). The June 30, 2021 funding valuation reports, which provide the recommended contribution rates for Fiscal Year 2023, were presented by the actuary to the Retirement Board at their January 20, 2022 meeting. While the valuation reports were adopted by the Board at that meeting, the Board elected to continue the same employer contribution rates from Fiscal Year 2022 for Fiscal Year 2023 (*i.e.*, 47.16% for 1955/1980 Plan members and 37.84% for 2013 Tier members) to help reduce year-to-year volatility in case future investment returns are lower than expected. In addition, at the time of the June 30, 2021 valuations, salary negotiations were still ongoing and the outcome of those negotiations may lead to future employer contribution rate increases. The Retirement System may also revisit its economic actuarial assumptions for the June 30, 2022 valuations which could lead to additional employer contribution rate increases. Lastly, maintaining the employer contribution rates helps pay down the System's unfunded actuarial accrued liability.

The District estimates that approximately 85% of the District's annual contributions are attributable to the Water System and approximately 15% are attributable to the Wastewater System.

As of June 30, 2021, collectively for the Water and Wastewater Systems, there were 1,896 active (non-retired) Plan members, 327 terminated Plan members entitled to but not yet receiving benefits and 1,977 retirees and beneficiaries receiving benefits.

Table 19 sets forth the number of active (non-retired) members, total Plan assets, District and Member contributions and retirement allowances paid in the five Fiscal Years 2017 through 2021.

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Table 19
RETIREMENT SYSTEM
Active (Non-Retired) Members, Total Plan Assets,
District and Member Contributions and Allowances Paid
Five Fiscal Years Ended June 30, 2021[(1)]

Fiscal Year Ended June 30	*Active (Non-Retired) Members[(2)]*	*Total Plan Assets[(3)]*	*District Contribution[(4)]*	*Member Contributions*	*Allowances Paid From Retirement Plan[(5)]*
2017	2,069	$1,612,644,000	$76,860,000	$16,018,000	$ 98,617,000
2018	2,112	1,753,240,000	81,096,000	17,079,000	106,377,000
2019	2,150	1,832,965,000	84,551,000	17,865,000	114,435,000
2020	2,215	1,857,609,000	88,734,000	18,885,000	122,351,000
2021	2,223	2,328,722,000	90,624,000	19,336,000	130,472,000

(1) Includes Health Insurance Benefit.
(2) Includes active plan members and terminated plan members entitled to but not yet receiving benefits.
(3) Market value as of June 30 of such Fiscal Year as shown in the audited financial statements of the Retirement System.
(4) The District estimates that approximately 85% of the District's annual contributions are attributable to the Water System and approximately 15% are attributable to the Wastewater System.
(5) Includes benefits paid and refunds of contributions.
Source: The District.

The Retirement System is an integral part of the District and, as noted above, the District appoints the majority of the governing body of the Retirement System and provides for its funding. Accordingly, the Retirement System's operations are reported as a Pension and Other Employee Benefit Trust Fund in the District's basic financial statements. The Retirement System also issues separately available financial statements on an annual basis. Such financial statements can be obtained from the District at 375 Eleventh Street, Oakland, California 94607.

The amounts set forth in this discussion of the District's Retirement System, including, for example, actuarial accrued liabilities and funded ratios, are based upon numerous demographic and economic assumptions, including investment return rates, inflation rates, salary increase rates, cost of living adjustments, postemployment mortality, active member mortality, and rates of retirement. Prospective purchasers of the District's bonds are cautioned to review and carefully assess the reasonableness of the assumptions set forth in the documents that are cited as the sources for such information. In addition, prospective purchasers of the District's bonds are cautioned that such sources and the underlying assumptions are made as of their respective dates, and are subject to change. Prospective purchasers of the District's bonds should also be aware that some of the information presented in this discussion of the Retirement System contains forward-looking statements and the actual results of the Retirement System may differ materially from the information presented herein.

Benefits. All regular full-time employees (as well as certain job share and intermittent employees) of the District are members of the Plan. In accordance with the Retirement System Ordinance, eligible employees become members of the Plan on the first day they are physically on the job. Retirement plan benefits are generally determined by a formula based on the employee's highest two years of compensation (highest 36 months for 2013 Tier members) and the length of employment with the District. Benefits adopted by the District vest in part with members after five years of continuous full-time employment. Vested members who terminate employment may elect a refund of their contributions or leave them in the Plan until eligible to receive benefits.

In addition to retirement benefits, the District provides post-employment health benefits assistance, administered by the Retirement System, for employees who retire from the District or their surviving spouses. As of June 30, 2021, there were 1,735 participants receiving these healthcare benefits. For participants entering the Retirement System prior to July 1, 1996, a monthly allowance of up to $450 (up to $550 for married retirees and retirees with domestic partners) is paid to retirees with at least five years of full-time service to reimburse the retiree-paid medical expenses (including any health, dental or long-term care insurance premiums paid by the retiree for his or her self, and current spouse or domestic partner, or any health, dental or long-term care insurance premiums paid by the eligible surviving spouse or domestic partner of a retiree). Effective July 1, 1996, a 20-year vesting schedule for full benefits was implemented for all new employees. Effective January 1, 1999, retired members who had separated from the District prior to their retirement and who had at least five years of service also become eligible for the post-employment healthcare benefits based on the same vesting schedule.

Actuarial Assumptions and Funding Policy. Under the Retirement System Ordinance, the District is required to have an actuarial study performed at least every two years, but the District's current policy is to have an actuarial study performed each year. The most recent actuarial study of the Retirement System, including the pension and the HIB trusts, was performed by Segal, as of June 30, 2021.

The actuarial report provides a basis for the District Board's decision regarding the rate of contributions by the District to the Retirement System, including both the pension and the HIB trusts. The District makes its contribution using rates determined by its outside actuaries.

The Governmental Accounting Standards Board ("GASB") issued Statements 67 and 68 affecting the reporting of net pension liabilities for accounting purposes, and Statements 74 and 75 affecting the reporting of net other post-employment healthcare benefits ("OPEB") liabilities for accounting purposes. Statements 67 and 74 are for plan reporting, and Statements 68 and 75 are for employer reporting. The information needed to comply with Statements 67 and 74 was provided by the actuary in separate reports (*i.e.*, separate from the pension and health insurance benefits funding valuation reports) dated January 11, 2022, and the information needed to comply with Statements 68 and 75 is scheduled to be provided by the actuary in separate reports before the end of Fiscal Year 2022 (for employer reporting as of June 30, 2022). The GASB Statements require shorter periods for recognition of non-investment gains/losses and actuarial assumption changes, as well as for recognition of investment gains/losses. The GASB Statements provide for a complete separation between financial reporting and funding requirements for pension and health insurance benefit plans. Under the GASB statements, the District is required to report the Net Pension Liability (*i.e.*, the difference between the Total Pension Liability and the Pension Plan's Fiduciary Net Position or market value of assets) and the Net OPEB Liabilities (*i.e.*, the difference between the Total OPEB Liability and the OPEB Plan's Fiduciary Net Position or market value of assets) in its financial statements. See Note 9 and the Required Supplementary Information in the audited financial statements of the District included in APPENDIX B – "EAST BAY MUNICIPAL UTILITY DISTRICT AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020" for additional information regarding the Net Pension Liability and the Net OPEB Liability of the District for the Retirement System.

To calculate the required contribution for each Fiscal Year, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than assumed (an actuarial loss). If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

A summary of the funding method and assumptions utilized in the actuarial study as of June 30, 2021 are described below.

Funding Method. The Plan's funding policy provides for periodic District contributions at actuarially determined amounts sufficient to accumulate the necessary assets to pay benefits when due as specified by the ordinance governing the Retirement System. The Entry Age Cost Method is used for this purpose. Under the Entry Age Cost Method, there are two components to the total contributions: (i) the normal cost, which is the amount of contributions required to fund the benefit allocated to the current year of service (associated with active employees only), and (ii) an amortization payment on any unfunded actuarial accrued liability ("UAAL"). The normal cost is calculated on an individual basis where the entry age normal cost is calculated as the sum of the individual normal costs. The UAAL (past service liability) is amortized as a level percentage of payroll on a closed basis over the amortization periods described below. The actuarial accrued liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation.

Amortization Periods. The UAAL is currently being funded using a layered approach. Each layer of the UAAL established prior to July 1, 2011 is being funded over a separate decreasing 30-year period, starting from the date the layer was originally established. On or after July 1, 2011, changes in the UAAL attributable to plan amendments are amortized over separate decreasing 15-year periods; changes in the UAAL attributable to assumption or method changes are amortized over separate decreasing 25-year periods; and changes in the UAAL attributable to actuarial gains/losses (*i.e.*, the extent to which actual overall experience deviates from the assumptions) are amortized over separate decreasing 20-year periods. Under the layered approach, any new UAAL layer that emerges between the prior and the current actuarial valuation (due to deviations between actual and expected actuarial experience, changes in actuarial assumptions used to measure the liabilities or other factors) will be determined and factored into the District's contribution rates so that it will be paid off after its respective amortization period described above.

Actuarial Value of Assets (Asset Smoothing Method). Methods used to compute District contribution requirements include a five-year smoothing of the difference between the actual market return and the expected return on the market value of the assets (with further adjustments as may be required to keep the smoothed assets within 30% of market value). The impact of this will result in a "smoothed" valuation value of assets (or "Actuarial Value of Assets") that is higher or lower than the market value of the assets depending on whether the amount that is being smoothed is either a net deferred loss or a net deferred gain.

Actuarial Assumptions. A number of assumptions are used to calculate the costs of the Plan and to compute contribution requirements for the Plan. The principal assumptions used in preparing the pension plan and HIB funding valuation reports as of June 30, 2021 and the pension plan financial reporting (*i.e.*, GASB 67) valuation report as of June 30, 2021 include:

1. Investment rate of return: 7.00%.
2. Inflation rate: 2.75%.
3. Interest credited to member contributions: 7.00%.
4. Projected salary increases: Ranges from 9.50% to 4.00% based on time from hire (includes inflation at 2.75% plus across the board salary increase of 0.50% plus merit and promotion increases).
5. Cost of living adjustments for pension benefits: 2.75%.

6. Increase in HIB maximum monthly allowance: The Plan does not provide for an automatic increase in the HIB allowance and no such increase is assumed in the valuation.
7. Additional assumptions: Additional assumptions were used regarding rates of termination from active membership, post-retirement mortality, active member mortality, disability rates and rates of retirement.

<u>Adopted Changes in Actuarial Assumptions</u>. Under the ordinance governing the Retirement System, the District is required to have an actuarial experience study conducted no less frequently than every four years in order to review the mortality, service and compensation experience of the members, retired members and beneficiaries of the Retirement System, over the study period. The experience study provides the factual information upon which the outside actuary makes recommendations to the District regarding the economic and demographic assumptions that provide the basis for the actuarial valuation of the assets and liabilities of the Retirement System. In November 2020, Segal Consulting completed and presented to the Retirement Board its Analysis of Actuarial Experience During the Period July 1, 2016 through June 30, 2020, for the Retirement System (the "2020 Experience Study"). The 2020 Experience Study utilized demographic data of the Plan's members and retirees from the last four actuarial valuations and provided recommendations regarding changes to the economic and demographic actuarial assumptions to be used in the June 30, 2020 and later actuarial valuations. Pursuant to the 2020 Experience Study, the actuary recommended changes in a number of the actuarial assumptions used to calculate the costs of the Plan and to compute the future contribution requirements for the Plan, including changes in the assumptions from those used in the actuarial study of the Plan as of June 30, 2019. At its November 19, 2020 meeting, the Retirement Board approved the changes in assumptions recommended by the actuary for the actuarial valuation to be performed as of June 30, 2020.

In the June 30, 2020 valuation, the actuary determined the increase in the actuarial accrued liability for the pension plan (not including the HIB) due to the assumption changes to be $104.8 million.

Contribution History. The schedule of District contributions for each of the pension plan and the HIB plan for the last five Fiscal Years are shown in Table 20:

[Remainder of page intentionally left blank.]

Table 20
RETIREMENT SYSTEM
History of Contributions
Five Fiscal Years Ended June 30, 2021
(Dollar Amounts in Thousands)

Pension Plan:

Fiscal Year Ended June 30	*Contributions as a Percentage of Covered Payroll*[(1)]	*Actuarially Determined Contribution*	*Actual Contribution*	*Percentage Contributed*
2017	36.86%[(2)]	$67,096	$67,096	100%
2018	36.77	71,221	71,221	100
2019	36.37[(3)]	74,033	74,033	100
2020	36.10[(4)]	77,645	77,645	100
2021	35.73[(5)]	79,252	79,252	100

Health Insurance Benefit:

Fiscal Year Ended June 30:	*Contributions as a Percentage of Covered Payroll*[(1)]	*Actuarially Determined Contribution*	*Actual Contribution*	*Percentage Contributed*
2017	5.36%[(2)]	$ 9,764	$ 9,764	100%
2018	5.10	9,875	9,875	100
2019	5.17	10,518	10,518	100
2020	5.16	11,089	11,089	100
2021	5.11	11,372	11,372	100

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(1) This rate represents the aggregate rate for the 1955/1980 Plan and the 2013 Tier, based on the District's actual contributions expressed as a percentage of the actual pensionable payroll amounts reported by the Retirement System.

(2) Based on the higher contribution rates adopted by the Retirement Board carried over from the June 30, 2014 valuation, rather than the actuarially determined contribution rates from the June 30, 2015 valuation

(3) The Retirement Board decided to carry over unchanged for Fiscal Year 2019 the higher total employer contribution rates previously adopted by the Board for Fiscal Year 2018, as determined in the June 30, 2016 valuation. The Health Insurance Benefit contribution rate was the actuarially determined rate from the June 30, 2017 valuation; however, the Pension Plan contribution rate was the difference between the higher total employer rate carried over from the June 30, 2016 valuation and the actuarially determined Health Insurance Benefit rate from the June 30, 2017 valuation.

(4) Based on the higher contribution rates adopted by the Retirement Board carried over from the June 30, 2017 valuation, rather than the actuarially determined contribution rates from the June 30, 2018 valuation.

(5) Based on the higher contribution rates adopted by the Retirement Board carried over from the June 30, 2017 valuation, rather than the actuarially determined contribution rates from the June 30, 2019 valuation.

Source: Segal GAS 67 Actuarial Valuation for the Pension Plan as of June 30, 2021 and GAS 74 Actuarial Valuation for the Health Insurance Benefit Plan as of June 30, 2021.

As reflected in the funding actuarial study and shown (rounded to the nearest thousand dollars) in Table 26, the combined Actuarial Accrued Liability for pension and HIB benefits at June 30, 2021 was $2,728,640,918 and the Actuarial Value of Assets was $2,097,712,454, resulting in an Unfunded Actuarial Accrued Liability of $630,928,464 and a funded ratio of the Plan under the Entry Age Cost Method of 76.9%. As described above, the Actuarial Value of Assets has been calculated using a five-year smoothing of the difference between the actual market return and the expected return on the market value of the assets. The valuation was performed in accordance with generally accepted actuarial principles and practices and the District's funding policy that was last reviewed with the Board in 2015. The assumptions and methods used for funding purposes meet the parameters set by Actuarial Standards of Practice (ASOPs).

Table 21 sets forth the Actuarial Accrued Liability, Actuarial Value and Market Value of Assets, the Unfunded Actuarial Accrued Liability, and Funded Ratios as of June 30 of each of the Fiscal Years 2017 through 2021.

Table 21
RETIREMENT SYSTEM
(Pension Plan and HIB Combined)
Actuarial Accrued Liability, Actuarial Value and Market Value of Assets,
Unfunded Actuarial Accrued Liability and Funded Ratios
Five Fiscal Years Ended June 30, 2021(1)
(Dollar Amounts in Thousands)

Fiscal Year Ended June 30	*Actuarial Accrued Liability (AAL)*	*Actuarial Value of Assets*	*Market Value of Assets*	*Unfunded Actuarial Accrued Liability (UAAL)(2)*	*Funded Ratio on Actuarial Value*	*Funded Ratio on Market Value*
2017	$2,185,674	$1,580,665	$1,612,644	$605,009	72.3%	73.8%
2018	2,342,014	1,714,364	1,753,240	627,650	73.2	74.9
2019	2,463,526	1,817,563	1,832,965	645,963	73.8	74.4
2020	2,661,452	1,914,278	1,857,609	747,174	71.9	69.8
2021	2,728,641(3)	2,097,712	2,328,722	630,928	76.9	85.3

(1) Dollars rounded to nearest thousand.
(2) The District estimates that approximately 85% of the UAAL is attributable to the Water System and approximately 15% is attributable to the Wastewater System. The UAAL is determined based on the Actuarial Value of Assets.
(3) Of this amount, $123,027 is attributable to the HIB liabilities.
Source: Segal.

As of June 30, 2021, the market value of the combined pension and HIB plan's assets was $2,328,722,000 and the projected benefit obligation ("PBO") was $2,675,737,000, resulting in a funded ratio of the plan under the PBO basis of 87.0%. Under the plan provisions, determination of the funded ratio on a PBO basis is required and certain cost of living adjustments for pension benefits are granted when the funded ratio of the plan is 85% or higher as calculated on the PBO basis.

Schedule of Funding Progress. The District reports the schedule of funding progress for each of the pension plan and the post-employment healthcare plan (HIB), based on the results of the funding valuations. The schedule of funding progress presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The schedule of funding progress for the pension plan is set forth in Table 22.

Table 22
PENSION PLAN
Schedule of Funding Progress
(Dollar Amounts in Thousands)

Actuarial Valuation Date June 30	*Actuarial Value of Assets*	*Actuarial Accrued Liability (AAL)*	*Unfunded AAL (UAAL)*	*Funded Ratio*	*Covered Payroll*[(1)]	*UAAL as a Percentage of Covered Payroll*
2017	$1,549,213	$2,068,015	$518,802	74.9%	$184,859	280.6%
2018	1,678,417	2,220,977	542,560	75.6	202,995	267.3
2019	1,777,065	2,340,773	563,708	75.9	212,351	265.5
2020	1,868,917	2,535,238	666,321	73.7	224,412	296.9
2021	2,045,503	2,605,614	560,111	78.5	224,392	249.6

(1) Projected payroll based on valuation results.
Source: Segal Consulting's Actuarial Valuation and Review of Pension Plan as of June 30, 2021.

The schedule of funding progress for the post-employment healthcare plan is set forth in Table 23.

The retiree health liabilities reported in the actuarial funding study as of June 30, 2021 (and shown in Table 23 below) will not match those required to be used for GASB reporting purposes as shown in Table 25. The retiree health liabilities as reflected in the funding study have not been adjusted to include the implicit retiree rate subsidy as required under GASB reporting requirements. (Note that when premiums for active employees are determined on a pooled basis with premiums for retirees under age 65, a significant accounting obligation may exist even though the retiree under age 65 contributes most or all of the blended premium cost of the plan. The average costs for retirees if determined on a stand-alone basis is likely to exceed the average cost for the whole group, leading to an implicit subsidy for these retirees. The GASB accounting standard requires the employer to identify and account for this implicit subsidy as well as any explicit subsidies the employer may provide.) In addition, the liabilities for GASB reporting purposes for the HIB portion of the obligations shown in Table 25 were determined based upon a lower discount rate (*i.e.,* 3.99% for June 30, 2021 and 4.40% for June 30, 2020) than the 7.00% investment rate of return used in Segal prefunding studies. The liabilities calculated for GASB reporting purposes shown in Table 25 are therefore higher than those reflected in the actuarial studies as of June 30, 2021 and June 30, 2020 and described above.

Table 23
POST-EMPLOYMENT HEALTH INSURANCE BENEFIT (HIB)
Schedule of Funding Progress
(Dollar Amounts in Thousands)

Actuarial Valuation Date June 30	*Actuarial Value of Assets*	*Actuarial Accrued Liability (AAL)*	*Unfunded AAL (UAAL)*	*Funded Ratio*	*Covered Payroll*[(1)]	*UAAL as a Percentage of Covered Payroll*
2017	$31,452	$117,659	$86,207	26.7%	$184,859	46.6%
2018	35,947	121,037	85,090	29.7	202,995	41.9
2019	40,498	122,753	82,256	33.0	212,351	38.7
2020	45,361	126,214	80,853	35.9	224,412	36.0
2021	52,209	123,027	70,818	42.4	224,392	31.6

(1) Projected payroll based on valuation results.
Source: Segal Consulting's Actuarial Valuations and Review of Other Postemployment Benefits (OPEB) as of June 30, 2017 through 2021.

Net Pension Liability. Under GASB 67, the pension plan is required to disclose the Net Pension Liability for financial reporting purposes. When measuring pension liability, GASB uses the same actuarial cost method (Entry Age Cost Method) and the same type of discount rate (expected return on assets) as the District uses for funding. This means that the Total Pension Liability ("TPL") measure for financial reporting is determined on the same basis as the District's AAL measure for funding. The Net Pension Liability ("NPL") is equal to the difference between the TPL and the Plan Fiduciary Net Position. The Plan Fiduciary Net Position is equal to the market value of assets and therefore, the NPL measure is the same as the UAAL calculated on a market value basis. The Net Pension Liability as of June 30, 2021 and June 30, 2020 is set forth in Table 24.

Table 24
PENSION PLAN
Net Pension Liability
(Dollar Amounts in Thousands)

	June 30, 2021	**June 30, 2020**
Total Pension Liability	$ 2,605,614	$ 2,535,238
Plan's Fiduciary Net Position	(2,270,763)	(1,813,591)
Net Pension Liability	$ 334,851	$ 721,647
Plan's Fiduciary Net Position as a % of the Total Pension Liability	87.15%	71.54%

Source: Segal Consulting.

The NPL was measured as of June 30, 2021 and 2020. The Plan's Fiduciary Net Position (plan assets) was valued as of the measurement date, while the Total Pension Liability was determined based upon the results of the funding actuarial valuations as of June 30, 2021 and 2020, respectively. It should be noted that for GASB 68 purposes, the NPL for the reporting date of June 30, 2021 is based upon results as of the June 30, 2020 measurement date and those results are not adjusted or rolled forward. Therefore, the information as of June 30, 2020 set forth above is the same as that reported in the District's audited financial statements as of June 30, 2021.

The discount rate used to determine the Total Pension Liability was 7.00% as of June 30, 2021 and June 30, 2020, following the same assumptions used by the Retirement System in the pension funding valuations as of June 30, 2021 and June 30, 2020, respectively. It should be noted that, according to GASB, the discount rate used for financial reporting purposes should be based on the long-term expected rate of return on a retirement system's investments, just as it is for funding. However, GASB requires that this assumption should be net of investment expenses but not net of administrative expenses (*i.e.*, without reduction for administrative expenses). Currently, the District's investment return assumption used for the annual funding valuation is developed net of both investment and administrative expenses.

Net OPEB Liability. Under GASB 74, the OPEB plan is required to disclose the Net OPEB Liability for financial reporting purposes. When measuring OPEB liability, GASB uses the same actuarial cost method (Entry Age Cost Method) and the same expected return on plan assets as the District uses for funding. This means that the Total OPEB Liability ("TOL") measure for financial reporting is determined on the same basis as the District's AAL measure for funding, with the exception discussed above for the implicit subsidy. The Net OPEB Liability ("NOL") is equal to the difference between the TOL and the OPEB Plan's Fiduciary Net Position. The OPEB Plan's Fiduciary Net Position is equal to the market value of assets. The NOL reflects all investment gains and losses as of the measurement date. The Net OPEB Liability as of June 30, 2021 and June 30, 2020 is set forth in Table 25.

Table 25
HEALTH INSURANCE BENEFIT PLAN
Net OPEB Liability
(Dollar Amounts in Thousands)

	June 30, 2021	June 30, 2020
Total OPEB Liability	$201,135	$195,853
Plan's Fiduciary Net Position	(57,959)	(44,018)
Net OPEB Liability	$143,176	$151,835
Plan's Fiduciary Net Position as a % of the Total OPEB Liability	28.82%	22.48%

Source: Segal Consulting.

The NOL was measured as of June 30, 2021 and 2020. The Plan's Fiduciary Net Position (plan assets) was valued as of the measurement date, while the Total OPEB Liability was determined based upon the results of the actuarial valuations as of June 30, 2021 and 2020, respectively, with the exception on the discount rate noted below. In addition, the implicit subsidy benefit payments are valued based on the age-based costs. It should be noted that for GASB 75 purposes, the NOL for the reporting date of June 30, 2021 is based upon results as of the June 30, 2020 measurement date and those results are not adjusted or rolled forward. Therefore, the information as of June 30, 2020 set forth above is the same as that reported in the District's audited financial statements as of June 30, 2021.

The discount rate used to determine the TOL and NOL was 3.99% as of June 30, 2021 and 4.40% as of June 30, 2020. It should be noted that, according to GASB, the discount rate used for financial reporting purposes as of June 30, 2021 is a blend of the assumed investment return on plan assets (*i.e.,* 7.00% for the June 30, 2021 valuation) and the rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (*i.e*., 2.16% as of June 30, 2021). Projected benefit payments are discounted by the plan investment return assumption of 7.00% until June 30, 2045. Benefit payments after June 30, 2045 are then discounted by the municipal bond rate of 2.16%. The 3.99% discount rate used in this valuation is the blended discount rate reflecting benefits discounted by the plan investment return assumption rate and the bond rate.

Additional information concerning the Retirement System may be found in APPENDIX B – "EAST BAY MUNICIPAL UTILITY DISTRICT AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020."

APPENDIX B

EAST BAY MUNICIPAL UTILITY DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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EAST BAY MUNICIPAL UTILITY DISTRICT

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 BASIC FINANCIAL STATEMENTS

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EAST BAY MUNICIPAL UTILITY DISTRICT

BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
East Bay Municipal Utility District
Oakland, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information, of the East Bay Municipal Utility District (the District) as of and for the year ended June 30, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective plan net position of the East Bay Municipal Utility District, as of June 30, 2021 and 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the date of the financial statements.

To the Board of Directors
East Bay Municipal Utility District
Oakland, California

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with the GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsible to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Responsibilities

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Directors
East Bay Municipal Utility District
Oakland, California

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Sacramento, California
September 23, 2021

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This section presents management's analysis of the East Bay Municipal Utility District's (the District) financial condition and activities as of and for the year ended June 30, 2021. Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the District's basic financial statements.

This information should be read in conjunction with the audited financial statements that follow this section. The District, as the primary governmental entity, includes within the financial statements, the financial position and activities of the District's Employees' Retirement System (Employees' Retirement System) as a component unit. The Employees' Retirement System issues its own financial statements and MD&A under a separate cover. Significant matters pertaining to the Employees' Retirement System have been included in the notes to the financial statements as deemed appropriate.

The information in this MD&A is presented under the following headings:

- Organization and Business
- Overview of the Basic Financial Statements
- Financial Analysis
- Capital Assets
- Debt Administration
- Request for Information

ORGANIZATION AND BUSINESS

The District provides water and wastewater services to industrial, commercial, residential, and public authority users. The Water System collects, transmits, treats, and distributes high quality water to approximately 60% (332 square miles) of the developed area within Alameda and Contra Costa counties of California and serves a population of about 1.4 million. The Wastewater System intercepts and treats wastewater from residences and industries within an 88-square-mile service area including the communities of Alameda, Albany, Berkeley, Emeryville, Oakland, Piedmont, and the Stege Sanitary District and serves a population of about 740,000. The District recovers cost of service primarily through user fees.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The District's basic financial statements are comprised of two components: (1) Fund Financial Statements and (2) Notes to Basic Financial Statements. The report also contains other required supplementary information in addition to the basic financial statements.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other special purpose governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements.

Proprietary Funds. The District's proprietary funds consist of two enterprise funds, the Water System and the Wastewater System. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The District's proprietary fund statements include:

The *Balance Sheet* presents information on the District's assets and deferred outflows, and liabilities and deferred inflows, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

While the Balance Sheet provides information about the nature and amount of resources and obligations at year-end, the *Statement of Revenues, Expenses, and Changes in Net Position* presents the results of the District's operations over the course of the fiscal year and information as to how the net position changed during the year. This statement can be used as an indicator of the extent to which the District has successfully recovered its costs through user fees and other charges. All changes in net position are reported during the period in which the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as delayed collection of operating revenues and the expense of employee earned but unused vacation leave.

The *Statement of Cash Flows* presents changes in cash and cash equivalents resulting from operational, capital, noncapital, and investing activities. This statement summarizes the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or receipt and excludes noncash accounting measures of depreciation or amortization of assets.

Fiduciary Fund. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The District's fiduciary fund consists of the Pension and Other Employee Benefit Trust fund, which is maintained to account for assets held by the Employees' Retirement System in a trustee capacity for vested and retired employees. The accounting used for fiduciary funds is much like that used for the proprietary funds.

Notes to Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to basic financial statements can be found on pages 33 to 93 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *certain required supplementary information* concerning the District's progress in funding its obligation to provide pension and other post-employment healthcare benefits to its employees. Such required supplementary information can be found on pages 97 to 103 of this report.

FINANCIAL ANALYSIS

Financial Highlights

In fiscal year 2021, EBMUD continued to effectively manage its finances and strengthen its financial position by adopting sufficient water and wastewater rates to fund capital infrastructure improvements and to maintain strong financial performance. The following results of operations indicate a continuing strong and stable fiscal position.

The total assets and deferred outflows of the District exceeded the total liabilities and deferred inflows by $2.4 billion (*net position*).

Net position increased by $242 million or 11% during the fiscal year.

Capital assets increased by $228 million or 4% to $5.5 billion.

Operating revenue increased by $54 million or 8% to $747 million.

Operating expense increased by $53 million or 11% to $541 million.

Non-operating net expense increased by $6 million or 16% to ($45) million.

Capital contributions increased by $3 million or 4% from the prior fiscal year.

Financial Position

In the current year, the District's total net position increased by $242 million or 11% during the fiscal year. The Water System's net position increased by $213 million or 12% and the Wastewater System's net position increased by $29 million or 8%. Current and other assets decreased by $60 million or 6%. Capital assets increased by $228 million or 4%. By far the largest portion of the District's net position, 93% or $2.2 billion, represents its Net Investment in capital assets necessary to provide services.

In the previous fiscal year, the District's total net position increased by $244 million or 13% during the fiscal year. The Water System's net position increased by $214 million or 14% and the Wastewater System's net position increased by $30 million or 9%. Current and other assets decreased by $31 million or 3%. Capital assets increased by $187 million or 4%. By far the largest portion of the District's net position, 86% or $1.8 billion, represents its investment in capital assets necessary to provide services.

Table 1 shows the District's net position for the fiscal years ended June 30, 2021, 2020, and 2019:

Table 1
Net Position
Water and Wastewater
June 30, 2021 and 2020
(In thousands)

	2021	2020	Variance	%
Current and other assets	$ 984,044	$ 1,044,499	$ (60,455)	(6)%
Capital assets	5,466,263	5,237,870	228,393	4%
Total assets	6,450,307	6,282,369	167,938	3%
Deferred outflow of resources	327,956	215,423	112,533	52%
Total assets and deferred outflow	6,778,263	6,497,792	280,471	4%
Current and other liabilities	1,168,602	960,028	208,574	22%
Long-term liabilities	3,186,996	3,324,076	(137,080)	(4)%
Total liabilities	4,355,598	4,284,104	71,494	2%
Deferred inflow of resources	47,733	80,281	(32,548)	(41)%
Total liabilities and deferred inflow	4,403,331	4,364,385	38,946	1%
Net position:				
Net investment in capital assets	2,198,902	1,840,222	358,680	19%
Restricted	246,257	250,370	(4,113)	(2)%
Unrestricted	(70,227)	42,815	(113,042)	(264)%
Total net position	$ 2,374,932	$ 2,133,407	$ 241,525	11%

Table 1
Net Position
Water and Wastewater
June 30, 2020 and 2019
(In thousands)

	2020	2019	Variance	%
Current and other assets	$ 1,044,499	$ 1,075,055	$ (30,556)	(3)%
Capital assets	5,237,870	5,051,112	186,758	4%
Total assets	6,282,369	6,126,167	156,202	3%
Deferred outflow of resources	215,423	205,992	9,431	5%
Total assets and deferred outflow	6,497,792	6,332,159	165,633	3%
Current and other liabilities	960,028	905,933	54,095	6%
Long-term liabilities	3,324,076	3,442,657	(118,581)	(3)%
Total liabilities	4,284,104	4,348,590	(64,486)	(1)%
Deferred inflow of resources	80,281	94,307	(14,026)	(15)%
Total liabilities and deferred inflow	4,364,385	4,442,897	(78,512)	(2)%
Net position:				
Net investment in capital assets	1,840,222	1,549,619	290,603	19%
Restricted	250,370	253,567	(3,197)	(1)%
Unrestricted	42,815	86,076	(43,261)	(50)%
Total net position	$ 2,133,407	$ 1,889,262	$ 244,145	13%

Results of Operations

In the current fiscal year, the District's total operating revenue of $747 million for the year increased by $54 million and total operating expense of $541 million for the year increased by $53 million. The change in net position (including capital contributions) decreased from $244 million in the previous fiscal year to $242 million in the current fiscal year. The District's total net position increased from $2,133 million to $2,375 million during the current fiscal year.

The major components of the District's results of operations in the current fiscal year were:

- Water revenue increased by $53 million or 9% due to a 6.25% water rate increase at the beginning of fiscal year 2021 and a 3.3% increase of billed water consumption.
- Wastewater revenue remained largely stable in the fiscal year 2021 compared to fiscal year 2020, increasing $1.4 million or 2%.
- The power revenue decreased by $2 million or 28% due to dry weather and therefore less water to generate hydropower in the current year.
- Operating expense increased by $53 million, primarily as increases of $30 million in pension expense, $8 million in general and administration, $7 million in water treatment and distribution, $6 million in depreciation on utility plant and vehicle, and $4 million in raw water expenses.
- Net nonoperating expense increased by $6 million, primarily due to a $7 million decrease in bond interest expense and amortization and $2 million increase in other income, offset by $16 million decrease in investment income resulting from fair market value fluctuation of investments. Included in non-operating net expense is investment income (loss) and the net change in the fair value of investments which were $2 million and ($4) million respectively in the current fiscal year, and $14 million and $1 million respectively in the prior fiscal year.
- Capital contributions increased by $3 million. System Capacity Charges decreased by $3 million reflecting a slowdown in property development. Wastewater Capacity Fees increased by $2 million. Earned contributions increased by $4 million. Grants and other reimbursements received increased by $1 million in the current fiscal year compared to the prior year. Page 17 contains additional capital contributions information.

In the previous fiscal year, the District's total operating revenue of $694 million for the year increased by $47 million and total operating expense of $488 million for the year increased by $56 million. The change in net position (including capital contributions) decreased from $279 million in fiscal year 2019 to $244 million in the fiscal year 2020. The District's total net position increased from $1,889 million to $2,133 million during the fiscal year 2020.

The major components of the District's results of operations in fiscal year 2020 were:

- Water revenue increased by $47 million or 9% due to a 6.5% water rate increase at the beginning of fiscal year 2020 and a 3.5% increase of billed water consumption. The major categories of billed water consumption consist of a 6.0% increase in residential customers' water consumption and a 2.4% decrease in industrial customers' water consumption.
- Wastewater revenue remained largely stable in the fiscal year 2020 compared to fiscal year 2019, increasing $1.6 million or 2%.
- The power revenue decreased by $4 million or 36% due to dry weather and less water to generate hydropower in fiscal year 2020.
- Operating expense increased by $56 million, primarily as increases of $33 million in pension expense, $9 million in raw water expenses, $9 million in water treatment and distribution, $4 million in sewer treatment plant operations, $5 million in depreciation on utility plant and vehicle, were offset by decrease of $5 million in general administration expense.
- Net nonoperating expense decreased by $8 million, primarily due to a $5 million increase in property tax received and $6 million decrease in bond interest expense and amortization, offset by $3 million decrease in investment income resulting from fair market value fluctuation of investments. Included in non-operating net expense is investment income (loss), consisting of interest earned on investment and the net change in the fair value of investments were $14 million and $1 million respectively in fiscal year 2020, and $13 million and $5 respectively in fiscal year 2019.
- Capital contributions decreased by $34 million. After a continued high rate of development since fiscal year 2017 and a record high in fiscal year 2019, System Capacity Charges decreased by $20 million and Wastewater Capacity Fees decreased by $8 million in fiscal year 2020 reflecting a slowdown in property development. The construction service installments decreased by $6 million compared to fiscal year 2019 due to slowdown of construction projects in the Oakland and Berkeley service areas. Grants and other reimbursements received remained stable in fiscal year 2020 compared to fiscal year 2019. Page 17 contains additional capital contributions information.

Table 2 shows changes in the District's net position for the fiscal years ended June 30, 2021, 2020, and 2019:

Table 2
Changes in Net Position
Water and Wastewater
June 30, 2021 and 2020
(In thousands)

	2021	2020	Variance	%
Operating Revenue:				
Water	$ 620,471	$ 567,394	$ 53,077	9%
Sewer	93,394	91,956	1,438	2%
Power	5,236	7,223	(1,987)	(28)%
Wet weather facilities charges	28,316	27,090	1,226	5%
Total operating revenue	747,417	693,663	53,754	8%
Operating Expense:				
Raw water	57,289	53,246	4,043	8%
Water treatment & distribution	134,022	126,647	7,375	6%
Recreation areas, net	6,878	6,674	204	3%
Sewer lines & pumps	16,713	16,365	348	2%
Sewer treatment plant operations	42,956	41,504	1,452	3%
Customer accounting & collecting	20,010	19,922	88	0%
Financial and risk management	22,504	25,550	(3,046)	(12)%
Facilities management	3,882	4,514	(632)	(14)%
General administration	39,406	31,722	7,684	24%
Pension expense	44,130	14,523	29,607	204%
OPEB expense	(714)	(3,984)	3,270	(82)%
Depreciation (excluding amounts reported within the Water and Wastewater operations)	144,161	138,097	6,064	4%
Amortization	10,163	13,252	(3,089)	(23)%
Total operating expense	541,400	488,032	53,368	11%
Net operating income	206,017	205,631	386	0%
Nonoperating income (expense):				
Investment income	(1,545)	14,902	(16,447)	(110)%
Taxes & subventions	47,435	46,626	809	2%
Interest & amortization of bond expenses, net	(106,157)	(113,506)	7,349	(6)%
Decrease of Equity in JPA partnership fund	(3,783)	(3,325)	(458)	14%
Other income	18,612	16,194	2,418	15%
Total nonoperating income (expense), net	(45,438)	(39,109)	(6,329)	16%
Income before contributions	160,579	166,522	(5,943)	(4)%
Capital contributions	80,946	77,623	3,323	4%
Change in net position	241,525	244,145	(2,620)	(1)%
Total net position – beginning	2,133,407	1,889,262	244,145	13%
Total net position – ending	$ 2,374,932	$ 2,133,407	$ 241,525	11%

Table 2
Changes in Net Position
Water and Wastewater
June 30, 2020 and 2019
(In thousands)

	2020	2019	Variance	%
Operating Revenue:				
Water	$ 567,394	$ 520,344	$ 47,050	9%
Sewer	91,956	90,323	1,633	2%
Power	7,223	11,272	(4,049)	(36)%
Wet weather facilities charges	27,090	25,113	1,977	8%
Total operating revenue	693,663	647,052	46,611	7%
Operating Expense:				
Raw water	53,246	44,626	8,620	19%
Water treatment & distribution	126,647	117,557	9,090	8%
Recreation areas, net	6,674	6,126	548	9%
Sewer lines & pumps	16,365	15,881	484	3%
Sewer treatment plant operations	41,504	37,954	3,550	9%
Customer accounting & collecting	19,922	20,282	(360)	(2)%
Financial and risk management	25,550	23,069	2,481	11%
Facilities management	4,514	5,020	(506)	(10)%
General administration	31,722	36,843	(5,121)	(14)%
Pension expense	14,523	(18,259)	32,782	(180)%
OPEB expense	(3,984)	(3,312)	(672)	20%
Depreciation (excluding amounts reported within the Water and Wastewater operations)	138,097	131,997	6,100	5%
Amortization	13,252	14,401	(1,149)	(8)%
Total operating expense	488,032	432,185	55,847	13%
Net operating income (expense)	205,631	214,867	(9,236)	(4)%
Nonoperating income (expense):				
Investment income	14,902	18,105	(3,203)	(18)%
Taxes & subventions	46,626	41,565	5,061	12%
Interest & amortization of bond expenses, net	(113,506)	(119,574)	6,068	(5)%
Increase (decrease) of Equity in JPA partnership fund	(3,325)	(3,545)	220	(6)%
Other income	16,194	15,928	266	2%
Total nonoperating income (expense), net	(39,109)	(47,521)	8,412	(18)%
Income (loss) before contributions	166,522	167,346	(824)	(0)%
Capital contributions	77,623	111,350	(33,727)	(30)%
Change in net position	244,145	278,696	(34,551)	(12)%
Total net position – beginning	1,889,262	1,629,890	259,372	16%
Prior Period adjustment - Debt Refunding	-	(23,802)	23,802	N/A
Changes in accounting estimates	-	4,478	(4,478)	N/A
Total net position – ending	$ 2,133,407	$ 1,889,262	$ 244,145	13%

Liquidity

The District had $662 million in combined current and noncurrent District Cash and Investments as of June 30, 2021, a decrease of $71 million compared to $733 million as of June 30, 2020. Components of cash and investments for the year ended June 30, 2021 were:

- Water System total combined current and noncurrent cash and investments decreased by $74 million compared to the same date of the previous fiscal year. Net increase (decrease) in cash and cash equivalents decreased by $369 million compared to the prior year. This was primarily due to a decrease of $335 million from the net proceeds of securities in investing activities, and an increase of $59 million spending from capital and related financing activities, offset by $24 million increase in operating activities. Net increase (decrease) in noncurrent investments decreased by $12 million was primarily due to reallocation of investments between short-term and long-term.

- Wastewater System total combined current and noncurrent cash and investments increased by $3 million compared to the same date in the previous fiscal year. Net increase (decrease) in cash and cash equivalents decreased by $6 million compared to the prior year. This was primarily due to a decrease of $19 million from the net proceeds of securities in investing activities offset by an increase of $3 million in operating activities, and a decrease of $9 million spending from capital and related financing activities. Net increase (decrease) in noncurrent investments decreased by $5 million also primarily due to reallocation of investments between short-term and long-term.

Table 3 shows the District's cash flow for the fiscal years ended June 30, 2021, 2020, and 2019:

Table 3
Cash Flows
Water and Wastewater System
June 30, 2021 and 2020
(In thousands)

	2021	2020	Variance	%
Cash and cash equivalents:				
Beginning of year	$ 489,723	$ 178,179	311,544	175%
Net cash provided by operating activities	399,415	372,378	27,037	7%
Net cash provided by noncapital financing activities	65,221	62,820	2,401	4%
Net cash used in capital and related financing activities	(535,939)	(485,218)	(50,721)	10%
Net cash provided by investing activities	7,985	361,564	(353,579)	(98)%
Net increase (decrease) in cash and cash equivalents	(63,318)	311,544	(374,862)	(120)%
End of period	426,405	489,723	(63,318)	(13)%
Investments:				
Beginning of year	242,970	588,161	(345,191)	(59)%
Net increase (decrease) in investments	(7,076)	(345,191)	338,115	(98)%
End of period	235,894	242,970	(7,076)	(3)%
Total District Cash and Investments	$ 662,299	$ 732,693	(70,394)	(10)%

Table 3
Cash Flows
Water and Wastewater System
June 30, 2020 and 2019
(In thousands)

	2020	2019	Variance	%
Cash and cash equivalents:				
Beginning of year	$ 178,179	$ 100,943	77,236	77%
Net cash provided by operating activities	372,378	343,354	29,024	8%
Net cash provided by noncapital financing activities	62,820	41,565	21,255	51%
Net cash used in capital and related financing activities	(485,218)	(239,902)	(245,316)	102%
Net cash provided by (used in) investing activities	361,564	(67,781)	429,345	(633)%
Net increase (decrease) in cash and cash equivalents	311,544	77,236	234,308	303%
End of period	489,723	178,179	311,544	175%
Investments:				
Beginning of year	588,161	502,698	85,463	17%
Net increase (decrease) in investments	(345,191)	85,463	(430,654)	(504)%
End of period	242,970	588,161	(345,191)	(59)%
Total District Cash and Investments	$ 732,693	$ 766,340	(33,647)	(4)%

Cash and Investments by Fund

In fiscal years 2021 and 2020, total cash and investments available for operating and capital activities are reported in current and noncurrent assets as unrestricted and restricted funds. Significant activities in current fiscal year were as follows: Water System reserved an additional $55 million in the rate stabilization fund, increased $4 million in working capital and spent $23 million in capital reserves to pay down commercial paper. Wastewater System reserved an additional $7.9 million in the rate stabilization fund and spent $0.7 million in capital reserves to pay down extendable commercial paper.

In the previous fiscal year, significant activities were as follows: the Water System spent $24 million in capital reserves to pay down commercial paper and $5 million in funds received for construction. Wastewater System spent $5 million in capital reserves to pay down extendable commercial paper.

Operating and Capital Reserves are components of Unrestricted Cash and Investments. Individual funds within Operating and Capital Reserves are funded pursuant to Board policy but are unrestricted as to use. The Unrestricted Reserve Balances indicate the District's ability to meet unanticipated revenue declines or expenditure increases. Unrestricted reserves are committed by the Board of Directors. This is distinct from restricted reserves which are legally constrained by law or by third party. For additional information, see Note 1H to the financial statements.

Table 4 shows the District's cash and investment by fund for the fiscal years ended June 30, 2021, 2020, and 2019:

Table 4

Cash and Investment by Fund

Water and Wastewater

June 30, 2021 and 2020

(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2021	2020	2021	2020	2021	2020	Amount	%
Unrestricted cash and investment								
Operating reserves:								
Rate stabilization fund	$ 150,000	$ 95,000	$ 32,000	$ 24,090	$ 182,000	$ 119,090	$ 62,910	53%
Working capital reserve	78,800	74,800	19,600	18,800	98,400	93,600	4,800	5%
Self-insurance	7,818	7,753	1,227	1,202	9,045	8,955	90	1%
Workers compensation	6,032	6,099	947	945	6,979	7,044	(65)	(1)%
Total operating reserves	242,650	183,652	53,774	45,037	296,424	228,689	67,735	30%
Capital reserves:								
Reserved for capital projects	250,091	384,050	23,862	21,067	273,953	405,117	(131,164)	(32)%
Reserve funded CIP - Wastewater	-	-	15,377	15,336	15,377	15,336	41	0%
Vehicle replacements	16,334	13,484	-	-	16,334	13,484	2,850	21%
Equipment replacements	-	2,580	17,816	26,589	17,816	29,169	(11,353)	(39)%
Total capital reserves	266,425	400,114	57,055	62,992	323,480	463,106	(139,626)	(30)%
Total Unrestricted cash and investments	509,075	583,766	110,829	108,029	619,904	691,795	(71,891)	(10)%
Restricted Cash and Investments								
Bond interest and redemption fund	-	457	-	21	-	478	(478)	(100)%
Debt service reserve fund	3,763	3,763	-	-	3,763	3,763	-	0%
Funds received for construction	35,715	33,827	-	-	35,715	33,827	1,888	6%
FERC partnership fund	2,188	2,276	-	-	2,188	2,276	(88)	(4)%
Monetary reserve	396	554	333	-	729	554	175	32%
Total restricted cash and investments	42,062	40,877	333	21	42,395	40,898	1,497	4%
Total District Cash and Investments	$ 551,137	$ 624,643	$ 111,162	$ 108,050	$ 662,299	$ 732,693	$ (70,394)	(10)%

Table 4

Cash and Investment by Fund

Water and Wastewater

June 30, 2020 and 2019

(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2020	2019	2020	2019	2020	2019	Amount	%
Unrestricted cash and investment								
Operating reserves:								
Rate stabilization fund	$ 95,000	$ 95,000	$ 24,090	$ 24,090	$ 119,090	$ 119,090	$ -	0%
Working capital reserve	74,800	72,400	18,800	18,300	93,600	90,700	2,900	3%
Self-insurance	7,753	7,374	1,202	1,116	8,955	8,490	465	5%
Workers compensation	6,099	5,727	945	867	7,044	6,594	450	7%
Total operating reserves	183,652	180,501	45,037	44,373	228,689	224,874	3,815	2%
Capital reserves:								
Reserved for capital projects	384,050	411,964	21,067	38,813	405,117	450,777	(45,660)	(10)%
Reserve funded CIP - Wastewater	-	-	15,336	15,093	15,336	15,093	243	2%
Vehicle replacements	13,484	9,088	-	-	13,484	9,088	4,396	48%
Equipment replacements	2,580	2,657	26,589	17,587	29,169	20,244	8,925	44%
Total capital reserves	400,114	423,709	62,992	71,493	463,106	495,202	(32,096)	(6)%
Total Unrestricted cash and investments	583,766	604,210	108,029	115,866	691,795	720,076	(28,281)	(4)%
Restricted Cash and Investments								
Bond interest and redemption fund	457	844	21	18	478	862	(384)	(45)%
Debt service reserve fund	3,763	3,719	-	-	3,763	3,719	44	1%
Funds received for construction	33,827	38,931	-	-	33,827	38,931	(5,104)	(13)%
FERC partnership fund	2,276	2,203	-	-	2,276	2,203	73	3%
Monetary reserve	554	549	-	-	554	549	5	1%
Total restricted cash and investments	40,877	46,246	21	18	40,898	46,264	(5,366)	(12)%
Total District Cash and Investments	$ 624,643	$ 650,456	$ 108,050	$ 115,884	$ 732,693	$ 766,340	$ (33,647)	(4)%

Capital Contributions

Capital contributions primarily consist of System Capacity Charges (SCCs) and Wastewater Capacity Fees (WCFs). In addition, the District can receive contributions when the District's facilities need to be relocated during construction projects. The District also receives state and federal grants to fund capital projects.

The Water System's SCCs consist of charges collected from all applicants who request a new water service connection or a larger water meter size. These charges vary depending on geographic region. The SCC pays for the applicant's share of District capital facilities, including those that serve the entire water system such as the aqueducts and raw water facilities, regional facilities such as treatment plants and distribution facilities, and future water supply upgrades needed to meet long-term increases in water demand created by new customers. The portion of the SCC that pays for the future water supply is restricted and the remainder is unrestricted.

The Wastewater System's WCFs are treated as unrestricted funds and pay for the applicant's share of Wastewater facilities including the main wastewater treatment plant, interceptors, and wet weather facilities.

Capital contributions increased $3 million or 4% as compared to the previous fiscal year. SCCs decreased by $3 million reflecting a slowdown in property development. WCFs increased by $2 million in fiscal year 2021. Earned contribution increased by $4 million. Grants and other reimbursements increased by $1 million due to additional monies received from Federal and State grants, offset by a decrease of mitigation fees received.

Table 5 shows the District's capital contributions received for the fiscal years ended June 30, 2021, 2020, and 2019:

Table 5
Capital Contributions
Water and Wastewater
June 30, 2021 and 2020
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2021	2020	2021	2020	2021	2020	Amount	%
System capacity charges	$ 50,378	$ 53,307	$ -	$ -	$ 50,378	$ 53,307	$ (2,929)	(5)%
Wastewater capacity fees	-	-	7,203	5,697	7,203	5,697	1,506	26%
Earned contributions on construction	21,315	17,780	(4)	-	21,311	17,780	3,531	20%
Grants and other reimbursements	1,754	839	300	-	2,054	839	1,215	145%
Totals	$ 73,447	$ 71,926	$ 7,499	$ 5,697	$ 80,946	$ 77,623	$ 3,323	4%

Table 5
Capital Contributions
Water and Wastewater
June 30, 2020 and 2019
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2020	2019	2020	2019	2020	2019	Amount	%
System capacity charges	$ 53,307	$ 73,496	$ -	$ -	$ 53,307	$ 73,496	$ (20,189)	(27)%
Wastewater capacity fees	-	-	5,697	13,260	5,697	13,260	(7,563)	(57)%
Earned contributions on construction	17,780	23,750	-	(52)	17,780	23,698	(5,918)	(25)%
Grants and other reimbursements	839	896	-	-	839	896	(57)	(6)%
Totals	$ 71,926	$ 98,142	$ 5,697	$ 13,208	$ 77,623	$ 111,350	$ (33,727)	(30)%

CAPITAL ASSETS

The District had $5.5 billion (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2021. Total capital assets were $5.2 billion as of June 30, 2020. The investment in capital assets includes land, buildings, improvements, water treatment plants, filter plants, aqueducts, water transmission and distribution mains, water storage facilities, pump stations, water reclamation facilities, wastewater and wet weather treatment facilities, machinery and equipment. In the current fiscal year, capital assets increased by $228 million or 4% over the prior fiscal year. In fiscal year 2020, capital assets increased by $187 million or 4% over fiscal year 2019. Annual changes are consistent with the District's capital improvement program.

The Water System had $4.7 billion (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2021. The investment in capital assets includes land, buildings, improvements, water treatment plants, filter plants, aqueducts, water transmission and distribution mains, water storage facilities, power generation, pump stations, water reclamation facilities, machinery and equipment.

The Wastewater System had $773 million (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2021. The investment in capital assets includes land, buildings, improvements, power generation, wastewater and wet weather treatment facilities, machinery and equipment.

Table 6 shows the District's capital assets for the fiscal years ended June 30, 2021, 2020, and 2019:

Table 6

Capital Assets, Net of Depreciation

Water and Wastewater

June 30, 2021 and 2020

(In thousands)

	Water System		Wastewater System		Total		Increase/(decrease)	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**Amount**	**%**
Structures, buildings, and equipment	$ 3,984,072	$ 3,908,424	$ 635,053	$ 638,147	$ 4,619,125	$ 4,546,571	$ 72,554	1.6%
Land and rights of way	73,790	73,790	21,409	21,409	95,199	95,199	-	0.0%
Construction work in progress	635,447	497,634	116,492	98,466	751,939	596,100	155,839	26.1%
Totals	$ 4,693,309	$ 4,479,848	$ 772,954	$ 758,022	$ 5,466,263	$ 5,237,870	$ 228,393	4.4%

Table 6 (Continued)
Capital Assets, Net of Depreciation
Water and Wastewater
June 30, 2020 and 2019
(In thousands)

	Water System		Wastewater System		Total		Increase/(decrease)	
	2020	2019	2020	2019	2020	2019	Amount	%
Structures, buildings, and equipment	$ 3,908,424	$ 3,716,296	$ 638,147	$ 651,379	$ 4,546,571	$ 4,367,675	$ 178,896	4.1%
Land and rights of way	73,790	70,917	21,409	21,409	95,199	92,326	2,873	3.1%
Construction work in progress	497,634	522,919	98,466	68,192	596,100	591,111	4,989	0.8%
Totals	$ 4,479,848	$ 4,310,132	$ 758,022	$ 740,980	$ 5,237,870	$ 5,051,112	$ 186,758	3.7%

The District's net revenue, long-term debt, and contributions from customers are used to finance capital investments. More detailed information about the District's capital assets is presented in Note 3 to the basic financial statements.

This year's major capital expenditures included:

Water System:	
Treatment Plant Upgrades	$ 70,320
Pipeline Infrastruct Renewals	64,196
Pumping Plant Rehabilitation	47,843
Maloney PZ Improvements	45,606
Open Cut Reservoir Program	39,978
Large Diameter Pipelines	34,274
Reservoir Rehab/Maintenance	32,352
Trench Soils Management	28,107
Building Facilities Improvement	28,092
Service Lateral Replacements	25,786
Sup Supply and Regional Planing	19,300
Faria PZI (formerly Purdue)	18,345
Pipeline Infra Renew Historic	15,054
West of Hills Master Plan	13,072
FIS/MMIS Replacement	12,627
Pipeline System Improvements	11,847
Mokelumne Aqueduct No 2 & 3 Relining	10,382
Summit Pressure Zone Improvement	9,745
SRV Recycled Water Program	9,695
Raw Water Infrastructure	9,476
Wastewater System:	
Digesters	$ 25,357
General Wastewater	25,219
Interceptors and Pump Stations	23,259
Preliminary Treatment	10,196
Utilities and Sitework	8,536
Power Generation and Biogas	6,288
Secondary	4,354
Wet Weather Facilities	3,652
Resource Recovery	2,728
Effluent Discharge	2,705
Electricals and Controls	2,496
Nutrients	1,832

DEBT ADMINISTRATION

The District had total long-term debt outstanding of $3.3 billion as of June 30, 2021, a 4% decrease from June 30, 2020. Total long-term debt outstanding was $3.4 billion as of June 30, 2020, a 3% decrease from June 30, 2019. Components of the District's long-term debt portfolio as of June 30, 2021 are:

- The Water System had total long-term debt outstanding of $2.9 billion.
- The Wastewater System had total long-term debt outstanding of $379 million.

Table 7 shows the District's long-term debt outstanding for the fiscal years ended June 30, 2021, 2020, and 2019:

Table 7
Long -Term Debt
(Net of Unamortized Costs)
Water and Wastewater
June 30, 2021 and 2020
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2021	2020	2021	2020	2021	2020	Amount	%
Revenue bonds*	$ 2,546,127	$ 2,639,641	$ 369,456	$ 383,781	$ 2,915,583	$ 3,023,422	$ (107,839)	(4)%
Commercial paper	312,800	335,800	9,300	10,000	322,100	345,800	(23,700)	(7)%
Loans	32,857	35,069	-	-	32,857	35,069	(2,212)	(6)%
Totals	$ 2,891,784	$ 3,010,510	$ 378,756	$ 393,781	$ 3,270,540	$ 3,404,291	$ (133,751)	(4)%

Table 7
Long -Term Debt
(Net of Unamortized Costs)
Water and Wastewater
June 30, 2020 and 2019
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2020	2019	2020	2019	2020	2019	Amount	%
Revenue bonds*	$ 2,639,641	$ 2,733,864	$ 383,781	$ 398,605	$ 3,023,422	$ 3,132,469	$ (109,047)	(3)%
Commercial paper	335,800	359,800	10,000	15,000	345,800	374,800	(29,000)	(8)%
Loans	35,069	12,886	-	-	35,069	12,886	22,183	172%
Totals	$ 3,010,510	$ 3,106,550	$ 393,781	$ 413,605	$ 3,404,291	$ 3,520,155	$ (115,864)	(3)%

*Includes unamortized bond premium and discount. For Water System, the unamortized bond premium was $217 million, $243 million, and $272 million as of June 30, 2021, 2020 and 2019, respectively. For Wastewater System, the net of unamortized bond premium and discount was $22 million, $25 million, and $29 million as of June 30, 2021, 2020 and 2019, respectively.

It is the policy of the District to maintain a reasonable balance between debt and current revenue financing of capital projects. The following targets provide the framework for financing capital projects:

Debt Service Coverage Ratio: Maintain an annual revenue bond debt service coverage ratio of at least 1.6 times. As of June 30, 2021, the coverage ratio for Water was 2.18 and for Wastewater was 2.37; the overall District ratio was 2.20.

Debt-Funded Capital Spending: Limit debt-funded capital to no more than 65% of the total capital program over each five-year planning period. As of June 30, 2021, the percentage of debt-funded capital spending for Water was 25% and for Wastewater was 3%; the overall District percentage was 23%.

Extendable Commercial Paper and Un-hedged Variable Rate Debt: Maintain an annual limit of 25% of outstanding long-term debt. As of June 30, 2021, the percentage of extended commercial paper and un-hedged variable rate debt compared to total outstanding long-term debt for Water was 12% and for Wastewater was 3%; the overall District percentage was 11%.

Revenue-supported debt authorization for the District can be approved by the District's Board of Directors, subject to a referendum process. At June 30, 2021, the Water System had $602 million and the Wastewater System had $186 million in authorized but unissued revenue bonds.

The District's credit ratings are outlined in Table 8.

Table 8

Credit Ratings

Water and Wastewater

June 30, 2021

District debt by type	Rating by Standard & Poor's	Moody's Investors Service	Fitch
Water system:			
Fixed Rate Revenue Bonds	AAA	Aa1	AA+
Variable Rate Revenue Bonds			
Long-term Underlying Rating	AAA	Aa1	-
Short-Term Rating	A-1/A-1+	VMIG-1	-
Commercial Paper Notes	A-1+	P-1	-
Wastewater system:			
Fixed Rate Revenue Bonds	AAA	Aa1	AA+
Extendable Commercial Paper	A-1+	P-1	F1+

For detail credit rating by bond issue, please visit our website at http://www.ebmud.com.

Additional information on the District's long-term debt can be found in Note 7 to the financial statements.

REQUEST FOR INFORMATION

This financial report is designed to provide ratepayers and creditors with a general overview of the District's finances and demonstrate the District's accountability for the monies it receives. If you have any questions about this report or need additional information, please contact: the Controller, Accounting Division, P.O. Box 24055, Oakland, California 94623-1055 or visit our website at http://www.ebmud.com.

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EAST BAY MUNICIPAL UTILITY DISTRICT
BALANCE SHEETS
JUNE 30, 2021 AND JUNE 30, 2020
(DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Total	
Assets	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Current assets:						
Cash and cash equivalents (Note 2)	$ 310,312	$ 371,488	$ 87,655	$ 89,651	$ 397,967	$ 461,139
Investments	198,763	212,278	23,174	18,378	221,937	230,656
Receivables:						
Customer	65,825	55,257	8,067	6,684	73,892	61,941
Interest and other	458	2,915	3,581	3,171	4,039	6,086
Materials and supplies	14,885	12,732	6,101	5,476	20,986	18,208
Prepaid insurance	2,254	1,642	407	335	2,661	1,977
Total current assets	**592,497**	**656,312**	**128,985**	**123,695**	**721,482**	**780,007**
Noncurrent assets:						
Restricted assets (Note 2):						
Cash and cash equivalents	28,105	28,563	333	21	28,438	28,584
Investments	13,957	12,314	-	-	13,957	12,314
Total restricted cash and investments	**42,062**	**40,877**	**333**	**21**	**42,395**	**40,898**
Other assets:						
Equity in JPA partnership fund	219,224	223,006	-	-	219,224	223,006
Other	298	83	645	505	943	588
Total other assets	**219,522**	**223,089**	**645**	**505**	**220,167**	**223,594**
Capital assets (Note 3):						
Structures, buildings, and equipment	6,157,768	5,967,045	1,160,219	1,138,487	7,317,987	7,105,532
Intangible assets	374,097	365,341	40,223	40,223	414,320	405,564
Less accumulated depreciation/amortization	(2,547,793)	(2,423,962)	(565,389)	(540,563)	(3,113,182)	(2,964,525)
Subtotal	**3,984,072**	**3,908,424**	**635,053**	**638,147**	**4,619,125**	**4,546,571**
Land and rights-of-way	73,790	73,790	21,409	21,409	95,199	95,199
Construction in progress	635,447	497,634	116,492	98,466	751,939	596,100
Total capital assets, net	**4,693,309**	**4,479,848**	**772,954**	**758,022**	**5,466,263**	**5,237,870**
Total noncurrent assets	**4,954,893**	**4,743,814**	**773,932**	**758,548**	**5,728,825**	**5,502,362**
Total assets	**$5,547,390**	**$5,400,126**	**$902,917**	**$882,243**	**$6,450,307**	**$6,282,369**
Deferred outflow of resources						
Accumulated decrease in fair value of hedging derivatives	29,400	40,513	-	-	29,400	40,513
Debt refundings related (Note 7)	3,178	6,644	-	-	3,178	6,644
Pension related (Note 9)	226,463	130,560	37,134	21,531	263,597	152,091
OPEB related (Note 9)	27,324	13,916	4,457	2,259	31,781	16,175
Total deferred outflows	286,365	191,633	41,591	23,790	327,956	215,423
Total assets and deferred outflows	**$ 5,833,755**	**$ 5,591,759**	**$ 944,508**	**$ 906,033**	**$ 6,778,263**	**$ 6,497,792**

See accompanying notes to basic financial statements.

EAST BAY MUNICIPAL UTILITY DISTRICT
BALANCE SHEETS
JUNE 30, 2021 AND JUNE 30, 2020
(DOLLARS IN THOUSANDS)

Liabilities and Net Position	Water System		Wastewater System		Totals	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Current liabilities:						
Current maturities of long-term debt and commercial paper (Note 6 and 7)	$ 72,064	$ 69,260	$ 11,480	$ 10,955	$ 83,544	$ 80,215
Accounts payable and accrued expenses (Note 4)	58,639	60,793	6,539	6,455	65,178	67,248
Compensated absences (Note 5)	39,677	34,256	6,424	5,805	46,101	40,061
Current reserve for claims (Note 10)	10,004	10,018	804	820	10,808	10,838
Accrued interest	9,693	10,022	1,449	1,497	11,142	11,519
Total current liabilities	**190,077**	**184,349**	**26,696**	**25,532**	**216,773**	**209,881**
Noncurrent liabilities:						
Other liabilities:						
Advances for construction	15,362	13,535	-	-	15,362	13,535
Reserve for claims (Note 10)	38,948	32,251	4,156	4,242	43,104	36,493
Net pension liability (Note 9)	619,188	469,634	102,459	79,015	721,647	548,649
Net OPEB liability (Note 9)	130,215	113,732	21,620	19,139	151,835	132,871
Other liabilities	12,710	12,632	7,171	5,967	19,881	18,599
Total other liabilities	**816,423**	**641,784**	**135,406**	**108,363**	**951,829**	**750,147**
Long-term liabilities, net of current maturities (Note 6 and 7)	2,819,721	2,941,250	367,275	382,826	3,186,996	3,324,076
Total noncurrent liabilities	**3,636,144**	**3,583,034**	**502,681**	**491,189**	**4,138,825**	**4,074,223**
Total liabilities	**3,826,221**	**3,767,383**	**529,377**	**516,721**	**4,355,598**	**4,284,104**
Deferred inflow of resources:						
Derivative instrument (Note 7)	29,400	40,513	-	-	29,400	40,513
Pension related (Note 9)	8,977	23,993	3,251	5,598	12,228	29,591
OPEB related (Note 9)	4,847	8,398	1,258	1,779	6,105	10,177
Total deferred inflows	43,224	72,904	4,509	7,377	47,733	80,281
Total liabilities and deferred inflows	**3,869,445**	**3,840,287**	**533,886**	**524,098**	**4,403,331**	**4,364,385**
Net position (Note 8):						
Net investment in capital assets	1,804,703	1,475,981	394,199	364,241	2,198,902	1,840,222
Restricted for construction	20,353	20,292	-	-	20,353	20,292
Restricted for debt service	3,763	4,220	-	21	3,763	4,241
Restricted for JPA	219,224	223,006	-	-	219,224	223,006
Restricted - other	2,584	2,831	333	-	2,917	2,831
Unrestricted	(86,317)	25,142	16,090	17,673	(70,227)	42,815
Total net position	**1,964,310**	**1,751,472**	**410,622**	**381,935**	**2,374,932**	**2,133,407**
Total liabilities and net position	**$ 5,833,755**	**$ 5,591,759**	**$ 944,508**	**$ 906,033**	**$ 6,778,263**	**$ 6,497,792**

See accompanying notes to basic financial statements.

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EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Total	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Operating revenue:						
Water	$ 620,471	$ 567,394	$ -	$ -	$ 620,471	$ 567,394
Sewer	-	-	93,394	91,956	93,394	91,956
Power	4,573	6,308	663	915	5,236	7,223
Wet weather facilities charges	-	-	28,316	27,090	28,316	27,090
Total operating revenue	**625,044**	**573,702**	**122,373**	**119,961**	**747,417**	**693,663**
Operating expense:						
Raw water	57,289	53,246	-	-	57,289	53,246
Water treatment and distribution	134,022	126,647	-	-	134,022	126,647
Recreation areas, net	6,878	6,674	-	-	6,878	6,674
Sewer lines and pumping	-	-	16,713	16,365	16,713	16,365
Sewer treatment plant operations	-	-	42,956	41,504	42,956	41,504
Customer accounting and collecting	17,675	17,391	2,335	2,531	20,010	19,922
Financial and risk management	21,195	24,752	1,309	798	22,504	25,550
Facilities management	3,882	4,514	-	-	3,882	4,514
General administration	33,813	25,728	5,593	5,994	39,406	31,722
Pension expense	38,635	13,228	5,495	1,295	44,130	14,523
OPEB expense	(477)	(3,329)	(237)	(655)	(714)	(3,984)
Depreciation on utility plant and vehicle	120,581	114,531	23,580	23,566	144,161	138,097
Amortization	8,902	11,575	1,261	1,677	10,163	13,252
Total operating expense	**442,395**	**394,957**	**99,005**	**93,075**	**541,400**	**488,032**
Net operating income	**182,649**	**178,745**	**23,368**	**26,886**	**206,017**	**205,631**
Other income (expense):						
Investment income	(1,522)	13,056	(23)	1,846	(1,545)	14,902
Taxes and subventions	40,578	40,337	6,857	6,289	47,435	46,626
Interest and amortization of bond expenses, net of capitalized interest of $6,389 and $10,896 for the Water System and $496 and $967 for the Wastewater System in 2021 and 2020, respectively	(92,050)	(98,605)	(14,107)	(14,901)	(106,157)	(113,506)
Increase (decrease) of equity in JPA partnership fund	(3,783)	(3,325)	-	-	(3,783)	(3,325)
Other income	13,519	11,818	5,093	4,376	18,612	16,194
Total other income (expense), net	**(43,258)**	**(36,719)**	**(2,180)**	**(2,390)**	**(45,438)**	**(39,109)**
Income before capital contributions	**139,391**	**142,026**	**21,188**	**24,496**	**160,579**	**166,522**
Capital contributions	73,447	71,926	7,499	5,697	80,946	77,623
Change in net position	**212,838**	**213,952**	**28,687**	**30,193**	**241,525**	**244,145**
Total net position - beginning	**1,751,472**	**1,537,520**	**381,935**	**351,742**	**2,133,407**	**1,889,262**
Total net position - ending	**$1,964,310**	**$1,751,472**	**$410,622**	**$381,935**	**$2,374,932**	**$2,133,407**

See accompanying notes to basic financial statements.

EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Total	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Cash flows from operating activities						
Cash received from customers	$ 614,476	$ 568,417	$ 120,990	$ 119,907	$ 735,466	$ 688,324
Cash payments for judgments and claims	(7,382)	(11,128)	(288)	(184)	(7,670)	(11,312)
Cash payments to suppliers for goods and services	(56,531)	(37,967)	(34,091)	(37,578)	(90,622)	(75,545)
Cash payments to employees for services	(203,686)	(196,416)	(34,073)	(32,673)	(237,759)	(229,089)
Net cash provided by operating activities	**346,877**	**322,906**	**52,538**	**49,472**	**399,415**	**372,378**
Cash flows from noncapital financing activities:						
Tax receipts	40,578	40,337	6,857	6,289	47,435	46,626
Other income	12,693	11,818	5,093	4,376	17,786	16,194
Net cash provided by financing activities	**53,271**	**52,155**	**11,950**	**10,665**	**65,221**	**62,820**
Capital and related financing activities:						
Capital contributions	73,447	71,926	7,499	5,697	80,946	77,623
Payments from advances for construction	1,827	(5,447)			1,827	(5,447)
Proceeds from sale of capital assets	2,313	1,393	-	-	2,313	1,393
Principal received from SRF loans	-	23,783	-	-	-	23,783
Acquisition and construction of capital assets	(344,430)	(298,683)	(39,776)	(42,284)	(384,206)	(340,967)
Change in Investment in JPA	-	(46)	-	-	-	(46)
Principal retirement on long-term debt and commercial paper	(92,596)	(91,035)	(11,655)	(15,860)	(104,251)	(106,895)
Interest paid on long-term debt	(115,042)	(116,980)	(17,526)	(17,682)	(132,568)	(134,662)
Net cash provided by (used in) capital and related financing activities	**(474,481)**	**(415,089)**	**(61,458)**	**(70,129)**	**(535,939)**	**(485,218)**
Cash flows from investing activities:						
Proceeds from securities	381,940	925,777	37,754	54,302	419,694	980,079
Expenditures from purchases of securities	(370,069)	(592,330)	(42,549)	(42,557)	(412,618)	(634,887)
Interest received on investments	828	14,214	81	2,158	909	16,372
Net cash (used in) provided by investing activities	**12,699**	**347,661**	**(4,714)**	**13,903**	**7,985**	**361,564**
Net increase (decrease) in cash and cash equivalents	**(61,634)**	**307,633**	**(1,684)**	**3,911**	**(63,318)**	**311,544**
Cash and cash equivalents:						
Beginning of year	**400,051**	**92,418**	**89,672**	**85,761**	**489,723**	**178,179**
End of year	**$ 338,417**	**$ 400,051**	**$ 87,988**	**$ 89,672**	**$ 426,405**	**$ 489,723**

(Continued)

See accompanying notes to basic financial statements.

EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Total	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Reconciliation of net operating (loss) income to net cash provided by operating activities:						
Net operating income	$ 182,649	$ 178,745	$ 23,368	$ 26,886	$ 206,017	$ 205,631
Adjustments to reconcile net operating income to net cash provided by operating activities:						
Pension expense	38,635	13,228	5,495	1,295	44,130	14,523
OPEB expense	(477)	(3,329)	(237)	(655)	(714)	(3,984)
Depreciation on utility plant and vehicle	119,108	114,531	23,580	23,566	142,688	138,097
Depreciation within Recreation Area	1,473	1,466	-	-	1,473	1,466
Amortization on intangible assets	8,902	11,575	1,334	1,749	10,236	13,324
Amortization on deferred quality control services	-	-	(73)	(72)	(73)	(72)
Changes in assets/liabilities:						
Materials and supplies	(2,153)	(2,521)	(625)	(606)	(2,778)	(3,127)
Prepaid insurance	(612)	(270)	(72)	(85)	(684)	(355)
Customer receivables	(10,568)	(5,285)	(1,383)	(54)	(11,951)	(5,339)
Other assets	(108)	1,476	(654)	(495)	(762)	981
Reserve for claims	6,683	(2,766)	(102)	706	6,581	(2,060)
Accounts payable and accrued expenses	(2,076)	11,082	1,288	(3,344)	(788)	7,738
Accrued compensated absences	5,421	4,974	619	581	6,040	5,555
Net cash provided by operating activities	$ 346,877	$ 322,906	$ 52,538	$ 49,472	$ 399,415	$ 372,378
Schedule of Non-cash Activities						
Change in Fair Market Value	$ (1,470)	$ 1,844	$ (140)	$ 119	$ (1,610)	$ 1,963
Amortization of bond premiums and discounts	$ (26,129)	$ (28,788)	$ (3,371)	$ (3,964)	$ (29,500)	$ (32,752)
Debt refunding related	$ 3,466	$ 10,783	$ -	$ 1,234	$ 3,466	$ 12,017
Decrease of JPA investment	$ (3,783)	$ (3,325)	$ -	$ -	$ (3,783)	$ (3,325)
Gain on sale of capital assets	$ 826	$ -	$ -	$ -	$ 826	$ -

See accompanying notes to basic financial statements.

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EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF FIDUCIARY NET POSITION
FIDUCIARY FUND - PENSION AND OTHER EMPLOYEE BENEFIT TRUST
JUNE 30, 2021 AND 2020
(DOLLARS IN THOUSANDS)

	2021	2020
Assets:		
Cash and cash equivalents, at fair value (Note 2)	$ 37,595	$ 57,852
Invested securities lending collateral (Note 2)	157,933	80,731
Prepaid expenses	578	575
Receivables:		
Brokers, securities sold	189	475
Employer	2,477	2,246
Plan members	538	484
Interest, dividends and recoverable taxes	4,325	4,707
Total Receivables	**7,529**	**7,912**
Investments, at fair value (Note 2):		
U.S. government obligations	254,139	143,915
Municipal bonds	664	705
Domestic corporate bonds	184,961	298,975
International bonds	20,244	19,793
Domestic stocks	1,107,552	849,826
International stocks	608,001	397,426
Real estate	113,913	95,649
Total Investments	**2,289,474**	**1,806,289**
Total Assets	**2,493,109**	**1,953,359**
Liabilities:		
Accounts payable and accrued expenses	2,609	2,396
Payables to brokers, securities purchased	3,845	12,623
Securities lending collateral (Note 2)	157,933	80,731
Total Liabilities	**164,387**	**95,750**
Net Position:		
Restricted for pension benefits	2,270,763	1,813,591
Restricted for post-employment healthcare benefits	57,959	44,018
Total Net Position	**$ 2,328,722**	**$ 1,857,609**

See Accompanying Notes to Financial Statements

EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND - PENSION AND OTHER EMPLOYEE BENEFIT TRUST
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(DOLLARS IN THOUSANDS)

	2021	2020
Additions:		
Contributions:		
Employers	$ 90,624	$ 88,734
Plan members	19,336	18,885
Total Contributions	**109,960**	**107,619**
Investment Income:		
From Investment Activities		
Net appreciation (depreciation) in fair value investments:		
Traded securities	472,236	13,251
Real estate	(465)	688
Interest	11,607	13,263
Dividends	12,602	16,360
Real estate operating income, net	2,002	1,990
Total Investment Income	**497,982**	**45,552**
Less:		
Investment expense	(4,609)	(4,864)
Net Income from Investment Activities	**493,373**	**40,688**
From Security Lending Activities		
Security lending income	293	1,078
Borrowers' rebates and other agent fees on securities lending transactions	(119)	(903)
Security Lending Activities	**174**	**175**
Net Investment Income	**493,547**	**40,863**
Total Additions, net	**603,507**	**148,482**
Deductions:		
Benefits paid	130,198	121,889
Refunds of contributions	274	462
Administrative expenses	1,922	1,487
Total Deductions	**132,394**	**123,838**
Changes in Net Position	**471,113**	**24,644**
Net Position - Beginning of the Year	**1,857,609**	**1,832,965**
Net Position - End of the Year	**$ 2,328,722**	**$ 1,857,609**

See Accompanying Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Primary Government

The East Bay Municipal Utility District (the District) was formed in May 1923 under the provisions of the Municipal Utility District Act of 1921, as amended in 1941. The District is comprised of two financially independent entities: the Water System and the Wastewater System. These two entities are governed by the same elected seven-member Board of Directors which determines such matters as rates and charges for services, approval of contracts, and District policies. The Water System provides administrative and other support services to the Wastewater System. These costs are charged to the Wastewater System.

B. Description of the Component Unit

The District's Employees' Retirement System (the Employees' Retirement System or the Plan) has been reported as a Pension and Other Employee Benefit Trust fund (a fiduciary fund) in the accompanying basic financial statements and is discretely presented. The System provides retirement, disability, survivorship, and post-employment health insurance benefits for eligible directors, officers, and employees of the District. The System is administered by a Retirement Board composed of three members appointed by the Board of Directors of the District, two members elected by and from the active membership, and one (nonvoting) member elected by and from the retired membership of the System. Retirement Ordinance No. 40 (Ordinance) assigns the authority to establish Plan benefit provisions to the District's Board of Directors.

Copies of the audited financial statements of the Employees' Retirement System may be obtained by writing to the Controller, P.O. Box 24055, Oakland, California 94623 or visit our website at http://www.ebmud.com.

C. Basis of Presentation

The accounts of the District are organized and operated on a fund basis. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses.

The basic financial statements include prior year comparative information. A complete presentation of the prior year information can be found in the District's financial statements for the year ended June 30, 2020.

The District reports the following major proprietary (enterprise) funds:

The **Water System** is engaged in the collection, transmission, and distribution of water to communities within Alameda and Contra Costa counties of California.

The **Wastewater System** is engaged in the interception and treatment of wastewater from residences and industries in the California communities of Alameda, Albany, Berkeley, Emeryville, Oakland, Piedmont, and the Stege Sanitary District.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the District reports the following fiduciary fund:

The **Pension and Other Employee Benefit Trust** is used to account for the resources held by the Employees' Retirement System which provides retirement, disability, and survivorship benefits for eligible directors, officers, and employees of the District.

Enterprise funds are used to account for operations 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. The Pension and Other Employee Benefit Trust fund is maintained to account for assets held by the Employees' Retirement System in a trustee capacity.

D. Basis of Accounting

Proprietary funds and the Pension and Other Employee Benefit Trust fund are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets, deferred outflows, liabilities and deferred inflows associated with operations are included on the balance sheet, and revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. The District also recognizes wet weather facilities charges as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

In addition, the accounting policies of the District conform to accounting policies generally accepted in the United States of America for water utilities. The accounts are maintained substantially in accordance with the Uniform System of Accounts for Water Utilities followed by investor-owned and major municipally owned water utilities.

Balance Sheet – The balance sheet is designed to display the financial position of the District. The District's fund equity is reported as net position, which is broken down into three categories defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and related deferred inflows and outflows.
- Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments. It also pertains to constrints imposed by law or constitutional provisions or enabling legislation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Unrestricted – This component of net position consists of net assets that do not meet the definition of "restricted" or "net investment in capital assets."

Statement of Revenues, Expenses, and Changes in Net Position – The statement of revenues, expenses, and changes in net position is the operating statement for proprietary funds. Revenues are reported by major source. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and other income.

E. Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Capital Assets

Utility Plant – at Original Cost

The cost of additions to utility plant and replacement of retired units of property are capitalized. Cost includes material, direct labor and fringe benefits, transportation, and such indirect items as engineering, supervision, and interest during construction based on the interest rate on outstanding debt of the system in the prior fiscal year as allowed by GASB 76. Repairs, maintenance, and minor purchases of equipment are charged to expenses as incurred.

The depreciated cost of capital assets, plus removal costs, less salvage, is charged to expense upon retirement.

Water Supply Management Program

Costs incurred in this program are debt funded and capitalized in construction in progress. These costs are transferred to utility plant upon completion of the project and depreciated over their useful life. Debt service costs on the debt used to finance the program are recovered in future through connection fees and rates and charges for service to those benefiting from the program.

Preliminary Survey and Investigation Costs

The District capitalizes initial costs incurred to study and evaluate certain potential long-term capital projects. These costs are transferred to property, plant and equipment upon completion of the project and are depreciated over the life of the asset. In the event the project is abandoned, these costs are expensed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract Water Rights

The District has contracted with the U.S. Bureau of Reclamation for water deliveries from the Central Valley Project (CVP) and shall continue so long as EBMUD pays applicable rates and charges consistent with applicable law. Payments under the contract include reimbursement for operation and maintenance costs based on the amounts of water delivered to EBMUD, the Operation & Maintenance Deficit (EBMUD's current balance is $5,452), and prepayment of allocated capital costs for CVP storage and conveyance facilities (EBMUD's current estimated allocation is $4,452). The Water Enterprise Fund capitalized the two components.

G. *Depreciation*

Depreciation of capital assets is computed on a straight-line basis using the estimated service lives of the related assets (5 to 100 years).

H. *Restricted Assets*

The District segregates cash and investments into funds that are "Restricted" and "Unrestricted." Funds are "restricted" when limitations on use of the resources are imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provision or by enabling legislation. "Unrestricted" resources are committed by the Board of Directors through the passage of a resolution, or constrained for a specific purpose by committees or officials with authority delegated by the Board. The exception is the Reserve for Capital Projects which is anticipated but not committed or constrained to be used for the District's capital improvement program.

Unrestricted cash and investments are further categorized into Operating and Capital Reserves:

Operating Reserves:

- Rate Stabilization Fund (RSF) reserve is established by Policy 4.02, as adopted by the Board of Directors in the biennial budget, to maintain at least 20% of projected annual water volume revenues for Water and at least 5% of annual operating and maintenance expenses for Wastewater. Funding of the RSF is consistent with the District's Bond indentures. In fiscal year 2014, the District combined the Rate Stabilization Fund referenced in the Bond indentures and the Contingency and Rate Stabilization Reserve referenced in Policy 4.02 into a single Rate Stabilization Fund reserve to enhance transparency.
- Working Capital reserve is established by Policy 4.02, as adopted by the Board of Directors in the biennial budget, to maintain at least three times the District's monthly net operating and maintenance expenses.
- Self-insurance reserve is established by Policy 4.02, as adopted by the Board of Directors in the biennial budget, to maintain a level based on the Actuarial Self-Insured Retention (SIR) funding recommendation for the following year's discounted loss and allocated loss adjustment expenses (ALAE) funding guidelines. Reserve amount should be calculated at a high (85%) confidence level. If an actuarial study is not available before close of the prior fiscal year end, the reserve shall equal 1.15 times the prior year reserve.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Workers' compensation reserve is established by Policy 4.02, as adopted by the Board of Directors in the biennial budget, to maintain a level based on the Actuarial SIR funding recommendation for the following year's discounted loss and ALAE funding guidelines. Reserve amount should be calculated at a high (85%) confidence level. If an actuarial study is not available before close of the prior fiscal year end, the reserve shall equal 1.15 times the prior year reserve.

Capital Reserves:

- Reserve for Capital Projects comprises the resources available for cash funding of the District's capital improvement program as projected in conjunction with the biennial budget.
- Reserve Funded CIP (Wastewater) balance is a specific designation [Board Motion No. 029-94] used to fund wet and dry weather eligible construction projects.
- Vehicle Replacement Fund [Board Motion No. 030-94] is financed by deposits based on internal user rate charges, and used to reimburse operational expenditures and vehicle replacement purchases.
- Equipment Replacement Fund was established by the District with the implementation of the Wastewater Capacity Fees effective July 1, 1984. The balance in this account represents funds set aside for future wastewater department equipment replacements.

Restricted funds include the following:

- Debt funded construction funds are the proceeds of bond or commercial paper issues that are restricted for use on eligible projects in the District's capital program.
- Capitalized Interest fund is restricted by the District's bond indenture for the purpose of defraying that bond issue's debt service payments for a specified period.
- Bond Interest and Redemption fund is utilized, in order for the District to transfer funds to the Trustee for the payment of principal and interest on the outstanding bonds one business day prior to the date such payment is due as required under the District's bond indentures. The District uses the Bond Interest and Redemption Fund to segregate funds accumulated for such payments. In addition, under certain of the interest rate swap agreements related to the District's outstanding bonds, the District is required to post collateral to the swap counterparty to the extent that the District's total exposure for termination payments under the swap agreement exceeds the threshold amount specified in the applicable swap agreement. The District also uses the Bond Interest and Redemption Fund to segregate District funds held by the applicable custodian to satisfy this collateral posting obligation.
- Debt Service Reserve fund is created and required to be maintained at a specified level in connection with certain series of the District's outstanding bonds. Amounts in a Bond Reserve Fund may only be used (a) for the payment of principal and interest on the related series of bonds in the event the District fails to transfer the required payment from the related system Revenue Fund (the respective designated part of the General Fund) (b) for the payment or redemption of all of the related series of bonds then outstanding or (c) for the payment of the final principal and interest payments on the related series of bonds.
- Funds received for construction reflect advances received from applicants for work to be performed by the District and the unspent future water supply component of system capacity charges. This fund is used for the construction of major facilities, applicant requested services, and the design and construction of water supply improvement program projects.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- FERC partnership fund of $2 million was established January 11, 1999, in compliance with Federal Energy Regulatory Commission (FERC) order which brought resolution to its Mokelumne River Proceeding. The District manages the fund and income derived from investing the funds to provide operating support to the Joint Settlement Agreement with US Fish and Wildlife and California Fish and Game to protect the Mokelumne River Ecosystem from Pardee Reservoir to the Delta. The principal and any unused earnings shall remain the property of the District and will revert to the District upon expiration of the agreement in March 2031 or upon withdrawal of any party to the agreement.
- Monetary Reserve represents money on deposit in the name of the District with the Automated Power Exchange Inc. (APX) in accordance with the terms and conditions of the Automated Power Exchange Inc. California Master Service Agreement of July 15, 1999, entered between the District and APX for the sale and purchase of electric power. The funds held on deposit shall be withdrawn by the Depository and Clearing Agent in the event that sufficient funds are not deposited in the District settlement account to cover power exchange transactions.

I. Deferred Amount on Bond Refundings

Gains and losses incurred in connection with debt refunding transactions are deferred and amortized over the shorter of the life of the refunded debt or the new debt.

J. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents.

K. District Investments

Investments are stated at fair value. Included in investment income (loss) is the net change in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) of those investments.

Measurement of the fair value of investments is based upon quoted market prices, if available. The estimated fair value of investments that have no quoted market price is determined based on equivalent yields for such securities or for securities of comparable maturity, quality, and type as obtained from market makers.

Each of the financial instruments invested in by the District represents a potential concentration of credit risk. However, as the portfolio and the components of the various instruments are diversified, and issuers of securities are dispersed throughout many industries and geographic locations, the concentrations of credit risk are limited.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Retirement System Investments

Investments are reported at fair value. Securities and bonds traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that have no quoted market price are reported at estimated fair value, which is determined based on yields equivalent for such securities or for securities of comparable maturity, quality, and type as obtained from market makers. Measurement of the fair value of real estate investments is estimated by the investment managers and reflects both internal and independent appraisals of real estate properties.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The System presents in the Statements of Changes in Plan Net Position the net change in the fair value of its investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Each of the financial instruments invested in by the System represents a potential concentration of credit risk. However, as the portfolio and the components of the various instruments are diversified and issuers of securities are dispersed throughout many industries and geographical locations, the concentrations of credit risk are limited.

The System invests in a combination of stocks, bonds, fixed income securities, real estate, and other investment securities. These investments are exposed to various risks, such as interest rate and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those such changes could materially affect the amounts reported in the Statement of Plan Net Position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement Board policies permit the System to use investments of the Plan to enter into securities lending transactions, which are loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return collateral for the same securities in the future. The System's securities custodian is an agent in lending the Plan's securities for cash collateral, U.S. government securities, and irrevocable letters of credit of 102% for domestic securities and 105% for international securities lent.

As of June 30, 2021, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the amounts the borrowers owed the System. Contracts with the lending agent require them to indemnify the System under certain circumstances if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities issuers while the securities are on loan. The risk of any loss of collateral or investment of cash collateral (including a loss of income or principal, or loss of market value thereon) lies with the System, except for losses resulting from negligence or intentional misconduct of the agent in performing the duties allocated under the securities lending agreement with respect to collateral. During the year ended June 30, 2021, there were no violations of legal or contractual provisions, and no borrower or lending agent default losses known to the securities lending agent.

In lending securities, cash collateral is invested in the lending agent's short-term investment pool, which as of June 30, 2021, had a weighted average maturity of 30 days. The relationship between the maturities of the investment pool and the System's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the System cannot determine. Cash collateral may also be invested separately in term loans, in which case the maturity of the collateral investment generally matches the term of the loan. Noncash collateral cannot be pledged or sold unless the borrower defaults. All securities loans can be terminated on demand by either the lender or the borrower, although the average term of overall loans for the System was approximately 125 days. There are no dividends or coupon payments owing on the securities lent. Cash received as collateral on securities lending transactions is reported as an asset of the System with a corresponding liability.

As of June 30, 2021, the fair value of securities on loan was $153,705. The total cash and noncash collateral held by the System's custodian to secure these securities on loan was valued at $157,933 (all cash collateral).

M. Material and Supplies

Material and supplies inventories are valued at cost, which approximates market, using the average-cost method.

N. Revenue

Water billings include charges for water flow, elevation, and a monthly meter charge. Customer water meters are read on a cyclical basis throughout a monthly or bimonthly period. Bills are rendered and revenue is recognized in the period that meters are read.

Wastewater treatment billings are a combination of flow, strength charges, and a monthly service charge. Customer bills are rendered on a cyclical basis throughout a monthly or bimonthly period, and revenue is recognized in the period in which bills are rendered.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Wet weather facilities charges are designed to finance the operating and capital costs related to wet weather sewage flows and are billed annually on the property tax bill.

O. Interest Rate Swap

The District enters into interest rate swap agreements to modify interest rates on some outstanding debt. The net interest is recorded in the financial statements annually.

In June 2008, GASB issued Statement No. 53, Accounting and Financial Reporting for Derivative Instruments (GASB 53). The statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of the basic financial statements gives the users of those statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. The statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. The District implemented GASB 53 in fiscal 2010.

P. Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Q. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

(Dollars in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

NOTE 2 - CASH AND INVESTMENTS

A. Classification

Reconciliations of cash and investments reported on the financial statements as of June 30, 2021, are as follows:

District Enterprise Funds:	Water System	Wastewater System	Total
Cash and investments included in current assets	$ 509,075	$ 110,829	$ 619,904
Cash and investments included in restricted investments	42,062	333	42,395
Total District cash and investments	551,137	111,162	662,299
Less investments	(212,720)	(23,174)	(235,894)
Cash and cash equivalents	$ 338,417	$ 87,988	$ 426,405

System Pension Trust Funds:	Pension Plan Benefits	Post-Employment Healthcare Benefits	Total
Cash and cash equivalents	$ 36,672	$ 923	$ 37,595
Invested securities lending collateral	154,057	3,876	157,933
Retirement system investments	2,233,286	56,188	2,289,474
Total System cash and investments	$ 2,424,015	$ 60,987	$ 2,485,002

Reconciliations of cash and investments reported on the financial statements as of June 30, 2020, are as follows:

District Enterprise Funds:	Water System	Wastewater System	Total
Cash and investments included in current assets	$ 583,766	$ 108,029	$ 691,795
Cash and investments included in restricted investments	40,877	21	40,898
Total District cash and investments	624,643	108,050	732,693
Less investments	(224,592)	(18,378)	(242,970)
Cash and cash equivalents	$ 400,051	$ 89,672	$ 489,723

System Pension Trust Funds:	Pension Plan Benefits	Post-Employment Healthcare Benefits	Total
Cash and cash equivalents	$ 56,506	$ 1,346	$ 57,852
Invested securities lending collateral	78,852	1,879	80,731
Retirement system investments	1,764,250	42,039	1,806,289
Total System cash and investments	$ 1,899,608	$ 45,264	$ 1,944,872

(Dollars in Thousands)

NOTE 2 - CASH AND INVESTMENTS (Continued)

B. District Enterprise Fund Investments Authorized by the California Government Code and the District's Investment Policy

The District's Investment Policy and the California Government Code allow the District to invest in the following, provided the credit ratings of the issuers are acceptable to the District; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the District's Investment Policy where the District's Investment Policy is more restrictive and provides information as to the limitations as they relate to interest rate risk, credit risk and concentration risk.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment in One Issuer/Fund
U.S. Treasury Bonds, Notes and Bills	5 Years	N/A	up to 100%	N/A
U.S. Government Agency and U.S. Government-Sponsored Enterprise Obligation	5 Years	N/A	up to 100%	40% in each Agency
State of California Local Agency Investment Fund (LAIF Pool)	N/A	N/A	$75,000 per Sec. 16429.1	N/A
California Asset Management Program (CAMP)	N/A	AAAm	40%	20%
Investment Trust of California (CalTRUST)	N/A	AAAm	40%	20%
Money Market Mutual Funds	N/A	AAAm	20%	5%
Certificates of Time Deposit	1 Year	AA-	20%	$250
Negotiable Certificates of Deposit	5 Years	AA-	20%	$250
Commercial Paper	270 Days	A-1+ and A	20%	5% of portfolio or 10%
Medium Term Corporate Notes	5 Years	AA- and A	20%	5%
Repurchase Agreements	270 Days	N/A	20%	N/A
Municipal Bonds	5 Years	AA- and A	20%	5%
Municipal Notes	N/A	SP-1+	20%	5%

The District does not enter into reverse repurchase agreements.

NOTE 2 - CASH AND INVESTMENTS (Continued)

C. District Enterprise Fund Investments Authorized by Debt Agreements

The District must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the District fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with District resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Minimum Credit Quality
Repurchase Agreements	Top Four Short Term Rating Category
U.S. Treasury Bonds, Notes and Bills	N/A
U.S. Government Agency and U.S. Government-Sponsored Enterprise Obligation	N/A
State Obligations	Not lower than the District's bond rating
Commercial Paper	Top Rating Category
Negotiable Certificates of Deposit	FDIC insured or collateralised
Time Certificates of Deposits - Banks or Savings and Loans	FDIC insured or collateralised
Corporate Notes (up to 3 years)	Top Short-Term Rating Category
Corporate Bonds (longer than 3 years)	Not lower than District's bond rating
Variable Rate Obligations	Top Short-Term Rating Category
Cash Sweep Agreements	Top Rating Category
Guaranteed Investement Contract	Not lower than District's bond rating
Shares of Beneficial Interest	Top Rating Category

D. Employees Retirement System Authorized Investment Strategy

The System's Statement of Investment Policy and Procedures authorize the System to invest in financial instruments in three broad investment categories: equity, fixed income, real estate, and covered calls. These financial instruments can include, but are not limited to, corporate bonds, commercial paper, U.S. government securities, common and preferred stock, real estate investment trusts, and mutual funds. Fixed income investments may include futures and options contracts in order to provide added flexibility in managing the fixed income portfolio. The following is a summary of the System's Statement of Investment Policy and Procedures adopted by the System on March 21, 2019.

The Retirement Board is authorized to designate multiple investment managers to manage the assets under their supervision subject to the laws of the State of California and the Investment Guidelines established by the Retirement Board. Allocation of assets to the investment managers are determined by the Retirement Board to accommodate changing conditions and laws.

(Dollars in Thousands)

NOTE 2 - CASH AND INVESTMENTS (Continued)

In March 15, 2018, the System adopted an updated asset allocation, which is shown in the table below.

US Equity	25%
Non-US Equity	25%
Core Fixed-Income	20%
Non-Core Fixed Income	5%
Covered Calls	20%
Real Estate	5%

The Director of Finance is authorized to transfer assets as provided in the System's Statement of Investment Policy and Procedures. The Director of Finance is further authorized to withdraw assets from assigned managers as necessary to efficiently meet operating needs.

The core fixed income target allocation (20% of the total portfolio) will primarily consist of U.S. denominated fixed income securities.

The non-core fixed income target allocation (5% of the total portfolio) will primarily consist of U.S. denominated fixed income securities. It is expected that this allocation may have a material allocation to below investment grade securities.

The domestic equity allocation target (25% of the total portfolio) will consist of the allocation to securities that corresponds to the weight of securities within the Russell 3000 Index.

The covered calls target allocation (20% of the total portfolio) may consist of a combination of Chicago Board Options Exchange S&P 500 BuyWrite Index (the "BXM Index") replication strategy and/or active non-replication strategies and their underlying domestic equity portfolios.

The international equity target allocation (25% of the total portfolio) will consist of an allocation to non-US equity securities benchmarked to the MSCI ACWI xUS Index.

The real estate target allocation (5% of the total portfolio) will consist of either equity (ownership) and/or fixed income participation in commercial, industrial, or residential properties. Investments may include interests in mortgages pools secured by loans of underlying properties.

The asset allocation does allow for the fact that at any time equity and fixed income managers may have transactional cash on hand and the District will maintain enough cash as working capital to effectively meet cash flow demands on the system. However, there is no specific allocation for cash as all investable cash is allocated to specific investment mandates.

E. Fair Value Hierarchy

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The California Local Agency Investment Fund is exempt from classification for fair value hierarchy.

(Dollars in Thousands)

NOTE 2 - CASH AND INVESTMENTS (Continued)

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of June 30, 2021 and 2020:

District Enterprise Funds:

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of June 30, 2021:

Investment Type	Level 1	Level 2	Total
Investments by Fair Value Level:			
U.S. Government-Sponsored Enterprise Agencies:			
Non-callable	$ -	$ 81,210	$ 81,210
Callable	-	503	503
U.S. Treasury Bill	170,795	-	170,795
Corporate Securities	-	50,874	50,874
Municipal Bonds	-	508	508
Total Investments at Fair Value	170,795	133,095	303,890
Investments Measured at Net Asset Value Per Share:			
California Asset Management Program			121,620
Investment Trust of California			20,034
Investments Measured at Amortized Cost:			
California Local Agency Investment Fund			70,529
Mutual Funds (U.S. Securities)			102,902
Total Investments			618,975
Cash in banks			43,324
Total District Cash and Investments			$ 662,299

In fiscal year 2021, U.S. Treasury Bill totaling $170,795, is classified in Level 1 of the fair value hierarchy and is valued using quoted prices in active markets. The U.S. Government-Sponsored Enterprise Agency securities totaled $81,713, Corporate securities totaled $50,874, and Municipal Bonds totaled $508, are classified in Level 2 of the fair value hierarchy and are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

(Dollars in Thousands)

NOTE 2 - CASH AND INVESTMENTS (Continued)

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of June 30, 2020:

Investment Type	Level 1	Level 2	Total
Investments by Fair Value Level:			
U.S. Government-Sponsored Enterprise Agencies:			
Non-callable	$ -	$ 109,432	$ 109,432
Callable	-	35,836	35,836
U.S. Treasury Bill	111,977	-	111,977
Corporate Securities	-	57,510	57,510
Municipal Bonds	-	6,201	6,201
Total Investments at Fair Value	111,977	208,979	320,956
Investments Measured at Net Asset Value Per Share:			
California Asset Management Program			136,410
Investment Trust of California			30,015
Investments Measured at Amortized Cost:			
California Local Agency Investment Fund			70,870
Mutual Funds (U.S. Securities)			136,872
Total Investments			695,123
Cash in banks			37,570
Total District Cash and Investments			$ 732,693

In fiscal year 2020, U.S. Treasury Bill totaling $111,977, is classified in Level 1 of the fair value hierarchy and is valued using quoted prices in active markets. The U.S. Government-Sponsored Enterprise Agency securities totaled $145,268, Corporate securities totaled $57.510, and Municipal Bonds totaled $6,201, are classified in Level 2 of the fair value hierarchy and are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

(Dollars in Thousands)

NOTE 2 - CASH AND INVESTMENTS (Continued)

System Pension Trust Fund:

The following is a summary of the fair value hierarchy of the fair value of investments of the Pension Trust Fund as of June 30, 2021:

Investment Type	Level 1	Level 2	Level 3	Total
Investments by Fair Value:				
Asset Backed Securities	$ -	$ 12,605	$ -	$ 12,605
Equities	704,475	-	76	704,551
Bank Loans	-	9,680	-	9,680
Commercial Mortgage-Backed	-	5,987	-	5,987
Corporate Bonds	-	140,645	52	140,697
Corporate Convertible Bonds	-	467	-	467
Govt Agencies	-	22,615	-	22,615
Govt Bonds	-	138,241	-	138,241
Govt Mortgage Backed Securities	-	92,679	-	92,679
Index Linked Govt Bonds	-	1,798	-	1,798
Municipal/Provincial Bonds	-	664	-	664
Other Fixed Income	-	579	-	579
Real Estate-Partnerships	-	-	51,555	51,555
Total Investments at Fair Value	$ 704,475	$ 425,960	$ 51,683	1,182,118
Investments Not Subject to Fair Value Hierarchy:				
Comingled Funds and Other				1,107,356
Total System Investments				2,289,474
Invested Securities Lending Collateral				157,933
Cash and Cash Equivalents:				
California Local Agency Investment Fund				2,289
Cash & Short-term Investments				35,306
Total System Cash and Investments				$ 2,485,002

Investments classified in Level 1 of the fair value hierarchy, valued at $704,475 are valued using quoted prices in active markets. $425,960 of investments classified in Level 2 of the fair value hierarchy, are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investments totaling $51,683 classified in Level 3 of the fair value hierarchy are valued using appraisals and estimates by investment managers. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

(Dollars in Thousands)

NOTE 2 - CASH AND INVESTMENTS (Continued)

The following is a summary of the fair value hierarchy of the fair value of investments of the Pension Trust Fund as of June 30, 2020:

Investment Type	Level 1	Level 2	Level 3	Total
Investments by Fair Value:				
Asset Backed Securities	$ -	$ 13,094	$ -	$ 13,094
Equities	637,430	-	74	637,504
Bank Loans	-	6,684	-	6,684
Commercial Mortgage-Backed	-	6,967	-	6,967
Corporate Bonds	-	233,243	-	233,243
Corporate Convertible Bonds	-	400	-	400
Govt Agencies	-	72,856	-	72,856
Govt Bonds	-	10,577	-	10,577
Govt Mortgage Backed Securities	-	41,210	-	41,210
Index Linked Govt Bonds	-	19,551	-	19,551
Municipal/Provincial Bonds	-	705	-	705
Other Fixed Income	-	23,711	-	23,711
Real Estate-Partnerships	-	-	50,541	50,541
Total Investments at Fair Value	$ 637,430	$ 428,998	$ 50,615	1,117,043
Investments Not Subject to Fair Value Hierarchy:				
Comingled Funds and Other				689,246
Total System Investments				1,806,289
Invested Securities Lending Collateral				80,731
Cash and Cash Equivalents:				
California Local Agency Investment Fund				4,518
Cash & Short-term Investments				53,334
Total System Cash and Investments				$ 1,944,872

During fiscal year 2020, investments classified in Level 1 of the fair value hierarchy, valued at $637,430, are valued using quoted prices in active markets. $428,998 of investments classified in Level 2 of the fair value hierarchy, are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investments totaling $50,615 classified in Level 3 of the fair value hierarchy are valued using appraisals and estimates by investment managers. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

F. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the market value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its market value to changes in market interest rates. The District generally manages its interest rate risk by holding investments to maturity.

(Dollars in Thousands)

NOTE 2 - CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the market values of the District's and System's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity or earliest call date.

District Enterprise Funds:

Information about the sensitivity of the fair value of the District's investments to market interest rate fluctuations is provided in the following table that shows the distribution of the District's investments by maturity or earliest call date for June 30, 2021:

Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	Total
U.S. Government-Sponsored Enterprise Agencies				
Non-callable	$ 81,210	$ -	$ -	$ 81,210
Callable	-	-	503	503
U.S. Treasury Bill	170,795	-	-	170,795
Corporate Securities	40,609	10,265	-	50,874
Municipal Bonds	135	373	-	508
Mutual Funds (U.S. Securities)	102,902	-	-	102,902
California Asset Management Program	121,620	-	-	121,620
Investment Trust of California	20,034	-	-	20,034
California Local Agency Investment Fund	70,529	-	-	70,529
Total Investments	$ 607,834	$ 10,638	$ 503	618,975
Cash in banks				43,324
Total District Cash and Investments				$ 662,299

Information about the sensitivity of the fair value of the District's investments to market interest rate fluctuations is provided in the following table that shows the distribution of the District's investments by maturity or earliest call date for June 30, 2020:

Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	Total
U.S. Government-Sponsored Enterprise Agencies				
Non-callable	$ 107,893	$ 1,539	$ -	$ 109,432
Callable	27,387	-	8,449	35,836
U.S. Treasury Bill	111,977	-	-	111,977
Corporate Securities	24,646	22,404	10,460	57,510
Municipal Bonds	5,694	136	371	6,201
Mutual Funds (U.S. Securities)	136,872	-	-	136,872
California Asset Management Program	136,410	-	-	136,410
Investment Trust of California	30,015	-	-	30,015
California Local Agency Investment Fund	70,870	-	-	70,870
Total Investments	$ 651,764	$ 24,079	$ 19,280	695,123
Cash in banks				37,570
Total District Cash and Investments				$ 732,693

(Dollars in Thousands)

NOTE 2 - CASH AND INVESTMENTS (Continued)

System Pension Trust Fund:

Information about the sensitivity of the fair value of the Pension Trust Fund's investments to market interest rate fluctuations is date provided in the following table that shows the distribution of the District's investments by maturity or earliest call for June 30, 2021:

Investment Type	Less than 12 Months	12 to 72 Months	72 to 120 Months	More than 120 Months	Maturity not Determined	Total
Asset Backed Securities	$ 1	$ 6,371	$ 1,531	$ 4,702	$ -	$ 12,605
Equity Securities	704,551	-	-	-	-	704,551
Bank Loans	-	3,898	5,782	-	-	9,680
Commercial Mortgage-Backed	288	721	689	4,289	-	5,987
Corporate Bonds	17,499	57,757	42,234	23,207	-	140,697
Corporate Convertible Bonds	-	467	-	-	-	467
Govt Agencies	5,325	8,685	3,505	5,100	-	22,615
Govt Bonds	-	99,298	31,278	7,665	-	138,241
Govt Mortgage Backed Securities	-	-	378	92,301	-	92,679
Index Linked Govt Bonds	-	694	1,104	-	-	1,798
Municipal/Provincial Bonds	-	-	-	664	-	664
Other Fixed Income	-	579	-	-	-	579
Real Estate-Partnerships	-	-	-	-	51,555	51,555
Comingled Funds and Other	-	-	-	-	1,107,356	1,107,356
Total System Investments	$ 727,664	$ 178,470	$ 86,501	$ 137,928	$ 1,158,911	$ 2,289,474

Information about the sensitivity of the fair value of the Pension Trust Fund's investments to market interest rate fluctuations is date provided in the following table that shows the distribution of the District's investments by maturity or earliest call for June 30, 2020:

Investment Type	Less than 12 Months	12 to 72 Months	72 to 120 Months	More than 120 Months	Maturity not Determined	Total
Asset Backed Securities	$ -	$ 10,157	$ 1,937	$ 1,000	$ -	$ 13,094
Equity Securities	637,504	-	-	-	-	637,504
Bank Loans	-	4,857	1,827	-	-	6,684
Commercial Mortgage-Backed	-	-	300	6,667	-	6,967
Corporate Bonds	1,915	109,039	84,309	37,980	-	233,243
Corporate Convertible Bonds	-	400	-	-	-	400
Govt Agencies	3,769	61,599	2,777	4,711	-	72,856
Govt Bonds	-	2,832	2,369	5,376	-	10,577
Govt Mortgage Backed Securities	-	-	865	40,345	-	41,210
Index Linked Govt Bonds	-	9,176	7,921	2,454	-	19,551
Municipal/Provincial Bonds	-	-	-	705	-	705
Other Fixed Income	1,671	21,079	961	-	-	23,711
Real Estate-Partnerships	-	-	-	-	50,541	50,541
Comingled Funds and Other	-	-	-	-	689,246	689,246
Total System Investments	$ 644,859	$ 219,139	$ 103,266	$ 99,238	$ 739,787	$ 1,806,289

(Dollars in Thousands)

NOTE 2 - CASH AND INVESTMENTS (Continued)

The District and System are participants in the Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The value of the pool shares in LAIF is determined on an amortized cost basis, which is different from the fair value of its position in the pool. The District and System's investments with LAIF at June 30, 2021 and 2020 included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

- Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

- Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets, such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2021 and 2020, the District had investments of $$70,529 and $70,870, respectively, and System had investments of $2,289 and $4,518, respectively, invested in LAIF, which had invested 2.31% and 3.37% of the pooled investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 1.00008297 and 1.004912795 as of June 30, 2021 and 2020, respectively was used to calculate the fair value of the investments in LAIF.

The System's investments include the following investments that are highly sensitive to interest rate fluctuations to a greater degree than already indicated above as of June 30, 2021 and 2020:

Highly Sensitive Investments	Fair Value at Year End
Government Mortgage - Backed Securities	$ 92,679
Commercial Mortgage - Backed Securities	5,987

Highly Sensitive Investments	Fair Value at Year End
Government Mortgage - Backed Securities	$ 41,210
Commercial Mortgage - Backed Securities	6,967

G. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical credit rating organization.

(Dollars in Thousands)

NOTE 2 - CASH AND INVESTMENTS (Continued)

District Enterprise Funds:

Presented below is the actual rating as of June 30, 2021 for each investment type as provided by Moody's.

Investment Type	Aaa	Aa1	Aa2	Aa3	Total
U.S. Government-Sponsored					
Non-Callable	$ 81,210	$ -	$ -	$ -	$ 81,210
Callable	503	-	-	-	503
U.S. Treasury Bill	170,795	-	-	-	170,795
Corporate Securities	23,759	27,115	-	-	50,874
Mutual Funds (U.S. Securities)	102,902	-	-	-	102,902
Totals	$ 379,169	$ 27,115	$ -	$ -	406,284
Not rated by Moody's:					
Muncipal Bonds					508
California Local Agency Investment Fund					70,529
California Asset Management Program					121,620
Investment Trust of California					20,034
Cash in Banks					43,324
Total District Cash and Investments					$ 662,299

Presented below is the actual rating as of June 30, 2020 for each investment type as provided by Moody's.

Investment Type	Aaa	Aa1	Aa2	Aa3	Total
U.S. Government-Sponsored					
Non-Callable	$ 109,432	$ -	$ -	$ -	$ 109,432
Callable	35,836	-	-	-	35,836
U.S. Treasury Bill	111,977	-	-	-	111,977
Corporate Securities	5,174	52,117	-	219	57,510
Mutual Funds (U.S. Securities)	136,872	-	-	-	136,872
Totals	$ 399,291	$ 52,117	-	$ 219	451,627
Not rated by Moody's:					
Muncipal Bonds					6,201
California Local Agency Investment Fund					70,870
California Asset Management Program					136,410
Investment Trust of California					30,015
Cash in Banks					37,570
Total District Cash and Investments					$ 732,693

(Dollars in Thousands)

NOTE 2 - CASH AND INVESTMENTS (Continued)

System Pension Trust Fund:

Presented below is the actual rating as of June 30, 2021 for each investment type as provided by Moody's:

Investment Type	Aaa	Aa	A	Baa	Ba	B	Caa	U.S. Government Guaranteed	Not Rated	Total
Asset Backed Securities	$ 3,741	$ 508	$ -	$ 500	$ -	$ -	$ -	$ -	$ 7,856	$ 12,605
Equity Securities	-	-	-	-	-	-	-	-	704,551	704,551
Bank Loans	-	-	-	808	3,465	3,774	-	-	1,633	9,680
Commercial Mortgage - Backed Securities	2,077	-	-	531	-	-	-	-	3,379	5,987
Corporate Bonds	-	11,698	62,811	24,547	16,897	16,869	2,077	-	5,798	140,697
Corporate Convertible Bonds	-	-	-	109	-	358	-	-	-	467
Government Agencies	15,453	-	-	-	-	-	-	5,325	1,837	22,615
Government Bonds	135,168	-	-	1,194	-	-	-	1,879	-	138,241
Government Mortgage - Backed Securities	-	-	-	-	-	-	-	92,469	210	92,679
Index Linked Government Bonds	1,798	-	-	-	-	-	-	-	-	1,798
Municipal Bonds	-	664	-	-	-	-	-	-	-	664
Other Fixed Income	-	-	-	-	-	-	-	-	579	579
Real Estate - Partnerships	-	-	-	-	-	-	-	-	51,555	51,555
Comingled Funds and Other	-	-	-	-	-	-	-	-	1,107,356	1,107,356
Total System Investments	$158,237	$ 12,870	$ 62,811	$ 27,689	$ 20,362	$ 21,001	$ 2,077	$ 99,673	$ 1,884,754	$ 2,289,474

Presented below is the actual rating as of June 30, 2020 for each investment type as provided by Moody's:

Investment Type	Aaa	Aa	A	Baa	Ba	B	Caa	C	U.S. Government Guaranteed	Not Rated	Total
Asset Backed Securities	$ 5,570	$ 1,247	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,277	$ 13,094
Equity Securities	-	-	-	-	-	-	-	-	-	637,504	637,504
Bank Loans	-	-	-	523	2,399	3,003	369	-	-	390	6,684
Commercial Mortgage - Backed Securities	3,624	-	-	527	-	-	-	-	-	2,816	6,967
Corporate Bonds	1,218	13,519	159,451	21,397	16,572	13,747	2,075	50	-	5,214	233,243
Corporate Convertible Bonds	-	-	-	48	-	224	-	-	-	128	400
Government Agencies	43,523	692	-	-	-	-	-	-	26,599	2,042	72,856
Government Bonds	5,612	-	-	1,115	-	-	-	-	3,850	-	10,577
Government Mortgage - Backed Securities	-	-	-	-	-	-	-	-	40,191	1,019	41,210
Index Linked Government Bonds	19,551	-	-	-	-	-	-	-	-	-	19,551
Municipal Bonds	-	705	-	-	-	-	-	-	-	-	705
Other Fixed Income	-	-	-	-	-	-	-	-	-	23,711	23,711
Real Estate - Partnerships	-	-	-	-	-	-	-	-	-	50,541	50,541
Comingled Funds and Other	-	-	-	-	-	-	-	-	-	689,246	689,246
Total System Investments	$ 79,098	$ 16,163	$ 159,451	$ 23,610	$ 18,971	$ 16,974	$ 2,444	$ 50	$ 70,640	$ 1,418,888	$ 1,806,289

(Dollars in Thousands)

NOTE 2 - CASH AND INVESTMENTS (Continued)

H. Concentration Risk

Significant District investments in the securities of any individual issuers, other than U. S. Treasury securities, LAIF, and mutual funds, are set forth below as of June 30, 2021:

District Enterprise Funds:

Reporting Unit	Issuer	Investment Type	Reported Amount
District-Wide			
	APPLE INC.	Corporate Securities	$ 35,305
	FHLB	Federal Agency Securities	77,880
Major Funds:			
Water System			
	FHLB	Federal Agency Securities	73,065
Wastewater System			
	APPLE INC.	Corporate Securities	9,616
	MICROSOFT CORP.	Corporate Securities	5,780
	FHLB	Federal Agency Securities	4,815

Significant District investments in the securities of any individual issuers, other than U. S. Treasury securities, LAIF, and mutual funds, are set forth below as of June 30, 2020:

District Enterprise Funds:

Reporting Unit	Issuer	Investment Type	Reported Amount
District-Wide			
	APPLE INC.	Corporate Securities	$ 52,116
	FHLB	Federal Agency Securities	54,991
Major Funds:			
Water System			
	APPLE INC.	Corporate Securities	49,533
	FHLB	Federal Agency Securities	54,991
Wastewater System			
	FFCB	Federal Agency Securities	7,009
	FHLMC	Federal Agency Securities	5,370

(Dollars in Thousands)

NOTE 2 - CASH AND INVESTMENTS (Continued)

System Pension Trust Fund:

As of June 30, 2021, and June 30, 2020, the District did not have investments in any one organization exceeding 5% of the System's investments.

The District held demand deposits (overdrafts) amounting to $1,221 and $2,874 on behalf of the System as of June 30, 2021 and 2020, respectively. The financial institution which holds these deposits is required by state law to maintain collateral pools against all public deposits they hold.

I. *Foreign Currency Risk*

System Pension Trust Fund:

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. Presented below in US dollars is the fair market value of the System's foreign investments at June 30, 2021:

Foreign Currency	Market Value
Euro	$ 61,131
British Pound Sterling	17,975
Japanese Yen	21,002
Hong Kong Dollar	8,195
South Korean Won	7,557
Swiss Franc	3,812
Danish Krone	3,196
Canadian Dollar	2,658
Australian Dollar	5,769
Norwegian Krone	1,988
Indonesian Rupiah	2,190
New Zealand Dollar	706
Total	$ 136,179

The Fund's investment policy permits investments in Non-US Equity up to 25%. The Fund's current position is 5.95%.

(Dollars in Thousands)

NOTE 2 - CASH AND INVESTMENTS (Continued)

Presented below in US dollars is the fair market value of the System's foreign investments at June 30, 2020:

Foreign Currency	Equity Securities Investment Type
Euro	$ 74,178
British Pound Sterling	22,077
Japanese Yen	46,519
Hong Kong Dollar	16,904
South Korean Won	8,866
Swiss Franc	9,729
Danish Krone	3,263
Canadian Dollar	3,825
Australian Dollar	4,138
Norwegian Krone	3,967
Indonesian Rupiah	1,710
Singapore Dollar	1,272
Total	$ 196,448

The Fund's investment policy permits investments in Non-US Equity up to 25%. The Fund's current position is 10.88%.

J. *Custodial Credit Risk*

Custodial credit risk for *cash on deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the District or System will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the District's name and places the District ahead of general creditors of the institution.

NOTE 2 - CASH AND INVESTMENTS (Continued)

The District and System invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, the District and System employ the Trust Department of a bank or trustee as the custodian of certain District and System managed investments, regardless of their form.

As of June 30, 2021 and 2020, the System's brokers/dealers held $0 in cash exposed to custodial credit risk.

K. Joint Powers Authority and Partnership Funds

DSRSD/EBMUD Recycled Water Authority - On June 28, 1995, the Dublin San Ramon Services District (DSRSD) and East Bay Municipal Utility District (District) entered into a Joint Powers Agreement (JPA) and established the DSRSD/EBMUD Recycled Water Authority (DERWA) with the purpose of creating a recycled water program in the San Ramon and Livermore-Amador Valleys. The JPA governing body is not substantially the same as the District and its independent Board consists of two directors each from the DSRSD and District. The JPA books and records are being maintained separately from DSRSD and the District. The DSRSD and District made member contributions to fund the JPA start-up and continue to fund capital projects at the request of the JPA on an as needed basis. Although DERWA has a significant relationship with the District, DERWA does not provide services solely to the District, and therefore is not considered a component unit of the District.

Freeport Regional Water Authority - The Freeport Regional Water Project (FRWP) is a regional water supply project undertaken by the District in partnership with the Sacramento County Water Agency (SCWA). In February 2002, with the support of the United States Bureau of Reclamation, the District and SCWA formed the Freeport Regional Water Authority (FRWA) under a joint powers agreement to develop the FRWP. The FRWP provides the permanent infrastructure to allow the District to receive water deliveries pursuant to the Long-Term Renewal Central Valley Project Contract at a new point of diversion along the Sacramento River. In addition to providing the District up to 100 MGD of supplemental water in dry years, the FRWP can provide up to 85 MGD to SCWA in all years. The District's share of the facilities is recorded as Investment in JPA and is presented on the balance sheet. To increase the District's reserve of water supply during the last drought, the District activated the pumping of water from the Sacramento River via the Freeport facility during Fiscal Year 2015.

California Asset Management Program (CAMP) – the District is a participant in the CAMP. CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of CAMP participants to invest certain proceeds of debt issues and surplus funds. CAMP investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The District reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share in accordance with GASB 72 requirements. At June 30, 2021, the fair value was approximate to the District's cost. As of June 30, 2021, the District investment in CAMP is $121,620.

(Dollars in Thousands)

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investment Trust of California (CalTRUST) – the District is a voluntary participant in the CalTRUST, which is a Joint Powers Authority governed by a Board of Trustees including local treasurers and investment officers. The Board of Trustees sets overall policy for CalTRUST and selects and supervises the activities of the investment managers and other agents. As of June 30, 2021, the District's investment in CalTRUST is $20,034.

NOTE 3 – CAPITAL ASSETS

A. Summary

The District capitalizes all assets with a historical cost of at least five thousand dollars and a useful life of at least three years. Contributed capital assets are valued at their estimated acquisition value on the date contributed.

The purpose of depreciation is to spread the cost of capital assets equitably among all customers over the life of these assets, so that each customer's bill includes a pro rata share of the cost of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of depreciable capital assets.

Depreciation of all capital assets in service, excluding land, is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of the capital assets.

Capital assets are depreciated using the straight line method of depreciation, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The District has assigned the useful lives listed below to capital assets:

Utility plant:	Years
Source of supply	25-100
Raw water transmission and storage	20-100
Interception and outfall	60-75
Pumping	25-75
Treatment	20-75
Distribution	25-75
Power Generation	25-75
Equipment	5-20
Plant Structures	25-75
Other	5-40

(Dollars in Thousands)

NOTE 3 – CAPITAL ASSETS (Continued)

B. Additions and Retirements

Capital assets activity for all business-type activities for the year ended June 30, 2021 was as follows:

	Balance at June 30, 2020	Additions and Transfers, net	Retirements and Transfers, net	Balance at June 30, 2021
Water System:				
Capital assets, not being depreciated:				
Land	$ 70,747	$ -	$ -	$ 70,747
Rights-of-way	3,043	-	-	3,043
Construction in progress - land/rights of way	653	-	(452)	201
Construction in progress	496,981	343,701	(205,436)	635,246
Total capital assets, not being depreciated	571,424	343,701	(205,888)	709,237
Capital assets, being depreciated/amortized:				
Buildings and improvements	248,041	4,963	(17)	252,987
System and improvements	5,592,518	184,499	(3,560)	5,773,457
Machinery and equipment	126,486	8,399	(3,561)	131,324
Intangible assets	365,341	8,756	-	374,097
Total capital assets, being depreciated/amortized:	6,332,386	206,617	(7,138)	6,531,865
Less accumulated depreciation/amortization for:				
Buildings and improvements	(123,326)	(5,354)	16	(128,664)
System and improvements	(1,912,245)	(107,664)	2,877	(2,017,032)
Machinery and equipment	(71,566)	(7,562)	2,757	(76,371)
Intangible assets	(316,825)	(8,902)	1	(325,726)
Total accumulated depreciation/amortization	(2,423,962)	(129,482)	5,651	(2,547,793)
Total capital assets, being depreciated/amortized, net	3,908,424	77,135	(1,487)	3,984,072
Water System capital assets, net	$ 4,479,848	$ 420,836	$ (207,375)	$ 4,693,309
Wastewater System:				
Capital assets, not being depreciated:				
Land	$ 21,218	$ -	$ -	$ 21,218
Rights-of-way	191	-	-	191
Construction in progress - land/rights of way	189	112	-	301
Construction in progress	98,277	39,735	(21,821)	116,191
Total capital assets, not being depreciated	119,875	39,847	(21,821)	137,901
Capital assets, being depreciated/amortized:				
Buildings and improvements	90,931	267	(4)	91,194
System and improvements	1,031,985	19,488	(67)	1,051,406
Machinery and equipment	15,571	2,067	(19)	17,619
Intangible assets	40,223	-	-	40,223
Total capital assets, being depreciated/amortized:	1,178,710	21,822	(90)	1,200,442
Less accumulated depreciation/amortization for:				
Buildings and improvements	(43,062)	(1,624)	4	(44,682)
System and improvements	(456,153)	(20,903)	65	(476,991)
Machinery and equipment	(11,401)	(1,053)	19	(12,435)
Intangible assets	(29,947)	(1,334)	-	(31,281)
Total accumulated depreciation/amortization	(540,563)	(24,914)	88	(565,389)
Total capital assets, being depreciated/amortized, net	638,147	(3,092)	(2)	635,053
Wastewater System capital assets, net	$ 758,022	$ 36,755	$ (21,823)	$ 772,954
Business-type activities capital assets, net	$ 5,237,870	$ 457,591	$ (229,198)	$ 5,466,263

(Dollars in Thousands)

NOTE 3 – CAPITAL ASSETS (Continued)

Capital assets activity for all business-type activities for the year ended June 30, 2020 was as follows:

	Balance at June 30, 2019	Additions and Transfers, net	Retirements and Transfers, net	Balance at June 30, 2020
Water System:				
Capital assets, not being depreciated:				
Land	$ 67,874	$ 2,881	$ (8)	$ 70,747
Rights-of-way	3,043	-	-	3,043
Construction in progress - land/rights of way	181	3,352	($2,880)	653
Construction in progress	522,738	301,899	(327,656)	496,981
Total capital assets, not being depreciated	593,836	308,132	(330,544)	571,424
Capital assets, being depreciated/amortized:				
Buildings and improvements	246,981	1,060	-	248,041
System and improvements	5,293,075	303,049	(3,606)	5,592,518
Machinery and equipment	122,292	9,690	(5,496)	126,486
Intangible assets	359,487	5,854	-	365,341
Total capital assets, being depreciated/amortized:	6,021,835	319,653	(9,102)	6,332,386
Less accumulated depreciation/amortization for:				
Buildings and improvements	(118,031)	(5,295)	-	(123,326)
System and improvements	(1,812,568)	(102,563)	2,886	(1,912,245)
Machinery and equipment	(69,690)	(6,673)	4,797	(71,566)
Intangible assets	(305,250)	(11,575)	-	(316,825)
Total accumulated depreciation/amortization	(2,305,539)	(126,106)	7,683	(2,423,962)
Total capital assets, being depreciated/amortized, net	3,716,296	193,547	(1,419)	3,908,424
Water System capital assets, net	$ 4,310,132	$ 501,679	$ (331,963)	$ 4,479,848
Wastewater System:				
Capital assets, not being depreciated:				
Land	$ 21,218	$ -	$ -	$ 21,218
Rights-of-way	191	-	-	191
Construction in progress - land/rights of way	130	59	-	189
Construction in progress	68,062	42,299	(12,084)	98,277
Total capital assets, not being depreciated	89,601	42,358	(12,084)	119,875
Capital assets, being depreciated/amortized:				
Buildings and improvements	90,560	371	-	90,931
System and improvements	1,022,481	9,504	-	1,031,985
Machinery and equipment	15,089	482	-	15,571
Intangible assets	38,496	1,727	-	40,223
Total capital assets, being depreciated/amortized:	1,166,626	12,084	-	1,178,710
Less accumulated depreciation/amortization for:				
Buildings and improvements	(41,426)	(1,636)	-	(43,062)
System and improvements	(435,243)	(20,910)	-	(456,153)
Machinery and equipment	(10,381)	(1,020)	-	(11,401)
Intangible assets	(28,197)	(1,750)	-	(29,947)
Total accumulated depreciation/amortization	(515,247)	(25,316)	-	(540,563)
Total capital assets, being depreciated/amortized, net	651,379	(13,232)	-	638,147
Wastewater System capital assets, net	$ 740,980	$ 29,126	$ (12,084)	$ 758,022
Business-type activities capital assets, net	$ 5,051,112	$ 530,805	$ (344,047)	$ 5,237,870

(Dollars in Thousands)

NOTE 3 – CAPITAL ASSETS (Continued)

C. *Construction in Progress*

Construction in Progress in fiscal 2020-2021 comprises:

	Expended to Date
Water System:	
Treatment Plant Upgrades	$ 70,320
Pipeline Infrastruct Renewals	64,196
Pumping Plant Rehabilitation	47,843
Maloney PZ Improvements	45,606
Open Cut Reservoir Program	39,978
Large Diameter Pipelines	34,274
Reservoir Rehab/Maintenance	32,352
Trench Soils Management	28,107
Building Facilities Improvement	28,092
Service Lateral Replacements	25,786
Sup Supply and Regional Planing	19,300
Faria PZI (formerly Purdue)	18,345
Pipeline Infra Renew Historic	15,054
West of Hills Master Plan	13,072
FIS/MMIS Replacement	12,627
Pipeline System Improvements	11,847
Mokelumne Aqueduct No 2 & 3 Relining	10,382
Summit Pressure Zone Improvement	9,745
SRV Recycled Water Program	9,695
Raw Water Infrastructure	9,476
Other Construction Projects	89,350
	$ 635,447
Wastewater System:	
Digesters	$ 25,357
General Wastewater	25,219
Interceptors and Pump Stations	23,259
Preliminary Treatment	10,196
Utilities and Sitework	8,536
Power Generation and Biogas	6,288
Secondary	4,354
Wet Weather Facilities	3,652
Resource Recovery	2,728
Effluent Discharge	2,705
Electricals and Controls	2,496
Nutrients	1,832
Treatment Plant Infrastructure	852
South Interceptor Relocation High Street	540
West End Property Development	529
Other Construction Projects	(2,051)
	$ 116,492
Total District Construction in Progress	$ 751,939

At June 30, 2021, the District's remaining current major project commitments are estimated to be $94,460 for the Water System and $18,984 for the Wastewater System.

(Dollars in Thousands)

NOTE 3 – CAPITAL ASSETS (Continued)

Construction in Progress in fiscal 2019-2020 comprises:

	Expended to Date
Water System:	
Pipeline Infrastrucure Renewals	$ 51,360
Reservoir Rehab/Maintenance	51,005
Treatment Plant Upgrades	40,884
Pumping Plant Rehabilitation	40,164
Open Cut Reservoir Rehab	31,753
Maloney PZ Improvements	24,553
Trench Soils Storage Sites	23,725
Administration Building Modifications	20,811
Additional Supplemental Supply Projects	15,878
Pipeline Infrastructure Renew Historic	15,053
Service Lateral Replacements	14,324
West of Hills Master Plan	14,167
Large Diameter Pipelines	13,649
Mokelumne Aqueduct No 2 & 3 Relining Project	11,125
Raw Water Studies and Improvements	9,978
SRV Recycled Water Program	9,482
WTTIP Water Treatment Plant Improvements	8,714
Pipeline Relocations	6,086
Water Conservation Project	5,737
Raw Water Aqueduct Operation and Maintenance Improvements	5,379
Other Construction Projects	83,807
	$ 497,634
Wastewater System:	
General Wastewater	$ 22,270
Interceptors and Pump Stations	20,208
Primary Treatment	14,193
Digesters	14,091
Preliminary Treatment	6,824
Power Generation and Biogas	3,847
Resource Recovery	3,302
Wet Weather Facilities	3,047
Utilities and Sitework	2,884
Effluent Discharge	2,481
Electricals and Controls	1,977
Nutrients	1,831
Secondary	1,657
Treatment Plant Infrastructure	852
South Interceptor Relocation High Street	540
Other Construction Projects	(1,538)
	$ 98,466
Total District Construction in Progress	$ 596,100

At June 30, 2020, the District's remaining current major project commitments are estimated to be $105,790 for the Water System and $22,923 for the Wastewater System.

(Dollars in Thousands)

NOTE 4 – ACCOUNTS PAYABLE & ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2021 and 2020 consist of:

	Water System		Wastewater System		Total	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Accounts payable	$ 29,645	$ 34,907	$ 4,488	$ 4,662	$ 34,133	$ 39,569
Accrued salaries	5,791	5,484	983	908	6,774	6,392
Other	23,203	20,402	1,068	885	24,271	21,287
Total	$ 58,639	$ 60,793	$ 6,539	$ 6,455	$ 65,178	$ 67,248

NOTE 5 – COMPENSATED ABSENCES

Compensated absences as of June 30, 2021 and 2020, are included on the balance sheet separately from accounts payable and accrued expenses. In previous years, trends have shown that the District employees utilize the accruals annually, therefore, amounts payable are accrued and reported as a current liability on the financial statements.

The changes in compensated absences were as follows:

	Water System		Wastewater System		Total	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Beginning Balance	$ 34,256	$ 29,282	$ 5,805	$ 5,224	$ 40,061	$ 34,506
Additions	36,221	35,023	5,723	5,682	41,944	40,705
Payments	(30,800)	(30,049)	(5,104)	(5,101)	(35,904)	(35,150)
Ending Balance	$ 39,677	$ 34,256	$ 6,424	$ 5,805	$ 46,101	$ 40,061

NOTE 6 – COMMERCIAL PAPER NOTES

The District's Board of Directors has authorized the issuance of short-term indebtedness of the District in a maximum principal amount of up to the lesser of either the average of the total annual revenue for the three preceding years or 25% of the District's total outstanding bonds. Under this authority the District has established two commercial paper programs: an extendable commercial paper program and a traditional commercial paper program. The proceeds from the issuance of commercial paper under these programs are restricted as to use. Under the programs, which must be authorized by the Board of Directors every seven years by resolution subject to the right of referendum, the Water System or the Wastewater System may issue commercial paper and bank notes at prevailing interest rates for periods of not more than 270 days from the date of issuance. The programs were last authorized on April 27, 2021.

NOTE 6 – COMMERCIAL PAPER NOTES (Continued)

The District initially established its extendable commercial paper program in March 2009. Under the extendable commercial paper program, no liquidity support agreement with a commercial bank is needed. Instead, the District limits the term of the extendable commercial paper to 120 days, and the investor agrees to extend the maturity of their investment by 150 days at a higher interest rate in the event of a failure to place new commercial paper notes to pay maturing notes, which is expected to provide the District sufficient time to find a replacement investor or refund the extendable commercial paper with a different form of debt to repay the investor.

In May 2021, the District paid down $0.7 million in extendable commercial paper for the Wastewater System. As of June 30, 2021, $9.3 million in Wastewater Series extendable commercial paper notes were outstanding under this program. There are no outstanding balances in Water Series extendable commercial paper notes under this program. The Wastewater Series included the term of 91 days and an interest rate of 0.11% as of June 30, 2021, and the term of 79 days and an interest rate of 0.30% as of June 30, 2020.

The District established its current traditional commercial paper program in December 2015. In June 2021, the District paid down $23 million in commercial paper for the Water System. As of June 30, 2021, $312.8 million in Water Series and $0 in Wastewater Series commercial paper notes were outstanding under this program. The Water Series commercial paper notes included the terms of 34 to 92 days and interest rates ranging from 0.07% to 0.11% as of June 30, 2021, and the terms of 33 to 93 days and interest rates ranging from 0.12% to 0.40% as of June 30, 2020.

To provide liquidity for the Water Series notes issued under the traditional commercial paper program, the District maintains two liquidity support facilities with commercial banks: a standby letter of credit in the amount of $176 million and a revolving credit agreement in the amount of $137 million. Borrowings by the Water System for commercial paper notes and bank notes under the traditional commercial paper program cannot exceed the aggregate amount available under these agreements. Draws under the liquidity support facilities are restricted to pay principal on maturing Water Series commercial paper notes. There were no borrowings under the liquidity support facilities as of June 30, 2021. The liquidity support facilities expire on May 6, 2024, and June 28, 2024, respectively, and are subject to extension at the request of the District upon agreement by the issuing bank.

There were no unused proceeds of commercial paper notes as of June 30, 2021. It is the District’s practice to use the commercial paper programs as a portion of the District’s long-term variable rate debt exposure.

(Dollars in Thousands)

NOTE 7 – LONG-TERM DEBT

A. Composition and Changes

The District generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. The District's debt issues and transactions are summarized below and discussed in detail thereafter.

The District's debt issues and transactions during fiscal year 2020-2021 are summarized below.

	Original Issue Amount	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021	Amount due within one year
Water System Revenue Bonds:						
Subordinated Series 2008 A						
0.02% variable rate, due 6/1/38	$ 322,525	$ 105,250	$ -	$ -	$ 105,250	$ -
Subordinated Series 2010 B						
5.87%, due 6/1/40	400,000	400,000	-	-	400,000	-
Series 2012 A (Private Placement)						
5.00% , due 6/1/37	191,750	81,750	-	-	81,750	-
Series 2012 B						
1.00 -5.00%, due 6/1/26	358,620	133,580	-	47,190	86,390	45,230
Series 2013 A						
5.00%, due 6/1/21	48,670	7,585	-	7,585	-	-
Series 2014 A						
3.00-5.00%, due 6/1/35	128,315	128,315	-	-	128,315	-
Series 2014 B						
2.00-5.00%, due 6/1/30	242,730	208,265	-	9,080	199,185	22,360
Series 2014 C						
5.00%, due 6/1/44	75,000	75,000	-	-	75,000	-
Series 2015 A						
4.00-5.00%, due 6/1/37	429,360	429,360	-	-	429,360	-
Series 2015 B						
4.00-5.00%, due 6/1/45	74,335	74,335	-	-	74,335	-
Series 2015C						
4.00-5.00%, due 6/1/45	110,715	110,715	-	-	110,715	-
Series 2017 A						
3.00 - 5.00%, due 6/1/45	185,355	185,355	-	-	185,355	-
Series 2017 B						
3.00 - 5.00%, due 6/1/37	309,665	297,130	-	970	296,160	-
Series 2019 A						
5.00%, due 6/1/49	161,820	159,550	-	2,560	156,990	2,690
Total water long-term bonds		2,396,190	-	67,385	2,328,805	70,280

(Dollars in Thousands)

NOTE 7 - LONG TERM DEBT (Continued)

	Original Issue Amount	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021	Amount due within one year
Wastewater System Revenue Bonds:						
Subordinated Series 2010 B						
5.03 - 5.18%, due 6/1/40	$ 150,000	$ 150,000	$ -	$ -	$ 150,000	$ -
Series 2012 A (Private Placement)						
5.00% , due 6/1/37	20,000	20,000	-	-	20,000	-
Series 2014 A						
2.00 - 5.00%, due 6/1/31	82,150	56,835	-	6,420	50,415	6,805
Series 2015 A-1						
5.00%, due 6/1/37	54,805	54,805	-	-	54,805	-
Series 2015 A-2						
5.00%, due 6/1/38	13,565	13,565	-	-	13,565	-
Series 2015 B						
2.10 - 3.35% , due 6/1/30	2,795	1,975	-	175	1,800	180
Series 2017 A						
4.00 - 5.00%, due 6/1/45	69,420	61,665	-	4,360	57,305	4,495
Total wastewater long-term bonds		358,845	-	10,955	347,890	11,480
Total long-term bonds		2,755,035	-	78,340	2,676,695	81,760
Water Loans:						
State Water Resources Control Board						
2004 Upper San Leandro Reservoir Project						
2.51%, due 1/1/24	2,188	464	-	464	-	-
2008 East Bayshore, Recycled Water Project						
2.40%, due 4/1/28	20,100	9,075	-	1,043	8,032	1,067
2018 South Reservoir Replacement Project						
1.70%, due 7/1/48	13,998	13,716	-	386	13,330	393
2018 MacArthur Davenport Pipeline Replacement Project						
1.7%, due 7/1/49	12,045	11,813	-	318	11,495	324
Total water loans		35,068	-	2,211	32,857	1,784
Total long-term loans		35,068	-	2,211	32,857	1,784
Commercial Paper (see Note 6)						
Water System Commercial Paper		335,800	1,816,115	1,839,115	312,800	
Wastewater System Commercial Paper		10,000	49,300	50,000	9,300	
Total commercial paper		345,800	1,865,415	1,889,115	322,100	
Amount due within one year		(80,215)	(3,329)	-	(83,544)	
Add: Unamortized premium, net		268,388	-	29,500	238,888	
Total long-term liabilities, net		$ 3,324,076	$ 1,862,086	$ 1,999,166	$ 3,186,996	$ 83,544

(Dollars in Thousands)

NOTE 7 - LONG TERM DEBT (Continued)

The District's debt issues and transactions during fiscal year 2019-2020 are summarized below.

	Original Issue Amount	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020	Amount due within one year
Water System Revenue Bonds:						
Subordinated Series 2008 A						
0.10% variable rate, due 6/1/38	$ 322,525	$ 105,250	$ -	$ -	$ 105,250	$ -
Subordinated Series 2010 A						
3.00 - 5.00%, due 6/1/36	192,830	2,090	-	2,090	-	-
Subordinated Series 2010 B						
5.87%, due 6/1/40	400,000	400,000	-	-	400,000	-
Series 2012 A (Private Placement)						
5.00% , due 6/1/37	191,750	81,750	-	-	81,750	-
Series 2012 B						
1.00 -5.00%, due 6/1/26	358,620	178,740	-	45,160	133,580	47,190
Series 2013 A						
5.00%, due 6/1/21	48,670	14,780	-	7,195	7,585	7,585
Series 2014 A						
3.00-5.00%, due 6/1/35	128,315	128,315	-	-	128,315	-
Series 2014 B						
2.00-5.00%, due 6/1/30	242,730	216,985	-	8,720	208,265	9,080
Series 2014 C						
5.00%, due 6/1/44	75,000	75,000	-	-	75,000	-
Series 2015 A						
4.00-5.00%, due 6/1/37	429,360	429,360	-	-	429,360	-
Series 2015 B						
4.00-5.00%, due 6/1/45	74,335	74,335	-	-	74,335	-
Series 2015C						
4.00-5.00%, due 6/1/45	110,715	110,715	-	-	110,715	-
Series 2017 A						
3.00 - 5.00%, due 6/1/45	185,355	185,355	-	-	185,355	-
Series 2017 B						
3.00 - 5.00%, due 6/1/37	309,665	297,130	-	-	297,130	970
Series 2019 A						
5.00%, due 6/1/49	161,820	161,820	-	2,270	159,550	2,560
Total water long-term bonds		2,461,625	-	65,435	2,396,190	67,385

(Dollars in Thousands)

NOTE 7 - LONG TERM DEBT (Continued)

	Original Issue Amount	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020	Amount due within one year
Wastewater System Revenue Bonds:						
Subordinated Series 2010 A						
2.00 - 5.00%, due 6/1/29	$ 58,095	$ 2,680	$ -	$ 2,680	$ -	$ -
Subordinated Series 2010 B						
5.03 - 5.18%, due 6/1/40	150,000	150,000	-	-	150,000	-
Series 2012 A (Private Placement)						
5.00% , due 6/1/37	20,000	20,000	-	-	20,000	-
Series 2014 A						
2.00 - 5.00%, due 6/1/31	82,150	62,935	-	6,100	56,835	6,420
Series 2015 A-1						
5.00%, due 6/1/37	54,805	54,805	-	-	54,805	-
Series 2015 A-2						
5.00%, due 6/1/38	13,565	13,565	-	-	13,565	-
Series 2015 B						
2.10 - 3.35% , due 6/1/30	2,795	2,145	-	170	1,975	175
Series 2017 A						
4.00 - 5.00%, due 6/1/45	69,420	63,575	-	1,910	61,665	4,360
Total wastewater long-term bonds		369,705	-	10,860	358,845	10,955
Total long-term bonds		2,831,330	-	76,295	2,755,035	78,340
Water Loans:						
State Water Resources Control Board						
2004 Upper San Leandro Reservoir Project						
2.51%, due 1/1/24	2,188	590	-	126	464	129
2008 East Bayshore, Recycled Water Project						
2.40%, due 4/1/28	20,100	10,093	-	1,018	9,075	1,042
2018 South Reservoir Replacement Project						
1.70%, due 7/1/28	2,260	2,202	11,738	224	13,716	386
2018 MacArthur Davenport Pipeline Replacement Project						
1.7%, due 7/1/49	12,045	-	12,045	232	11,813	318
Total water loans		12,885	23,783	1,600	35,068	1,875
Total long-term loans		12,885	23,783	1,600	35,068	1,875
Commercial Paper (see Note 6)						
Water System Commercial Paper		359,800	2,187,610	2,211,610	335,800	
Wastewater System Commercial Paper		15,000	100,000	105,000	10,000	
Total commercial paper		374,800	2,287,610	2,316,610	345,800	
Amount due within one year		(77,498)	(2,717)	-	(80,215)	
Add: Unamortized premium, net		301,140	-	32,752	268,388	
Total long-term liabilities, net		$ 3,442,657	$ 2,308,676	$ 2,427,257	$ 3,324,076	$ 80,215

NOTE 7 - LONG TERM DEBT (Continued)

B. Description of the District's Long-Term Debt Issues

Revenue-supported debt can be authorized by the District's Board of Directors, subject to a referendum process.

The net revenues of the Water System are pledged toward the repayment of the Water Revenue Bonds and the State Water Resources Control Board (SWRCB) Parity Loans of the Water System. The net revenues of the Wastewater System are pledged toward the repayment of the Wastewater Revenue Bonds of the Wastewater System.

The District is subject to certain revenue bond covenants on outstanding debt which require the setting of rates and charges to yield net revenues of the respective Water System or Wastewater System, as applicable, equal to at least 110% of the current annual debt service requirements for all revenue bonds and other parity obligations of the respective Water System or Wastewater System. The District has designated $182 million ($150 million for the Water System and $32 million for the Wastewater System) of operating reserves as a rate stabilization fund, which is available to satisfy the coverage requirements for debt service in future years. There have never been any draws for this purpose.

Upon the occurrence and continuation of an event of default under the Water System Revenue Bond Indenture or Wastewater System Revenue Bond indenture, the principal amounts of (and accrued interest on) the respective system's revenue bonds can be accelerated and declared immediately due and payable by the registered bondholders of a majority in aggregate principal amount of the then outstanding bonds upon written notice delivered to the District. Failure to pay debt service when due and the occurrence of certain insolvency or bankruptcy-related events are events of default. Failure to observe or perform the covenants and agreements under the Indenture for a period of 60 days after written notice of such failure is given to the District is also an event of default unless the District has taken all action reasonably possible to remedy such failure within 60 days and the District diligently proceeds to remedy the failure. A default by the District under any agreement governing Parity Debt which continues after the applicable grace period, if any, is also an event of default.

2004 Upper San Leandro Reservoir Project State Loan – the District paid off this state loan in April 2021 for interest savings. This loan was originally scheduled to be paid by the end of fiscal year 2024.

(Dollars in Thousands)

NOTE 7 - LONG TERM DEBT (Continued)

C. Debt Service Requirements

Annual debt service requirements for fiscal year 2020-2021, including the swap payments discussed in F., are shown below for the above debt issues:

For the Year Ending June 30	Water System		Wastewater System		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ 72,064	$ 115,514	$ 11,480	$ 17,329	$ 83,544	$ 132,843
2023	75,532	112,082	12,010	16,757	87,542	128,839
2024	78,865	108,435	12,575	16,158	91,440	124,593
2025	82,735	104,659	13,155	15,531	95,890	120,190
2026	84,480	100,680	13,760	14,875	98,240	115,555
2027 - 2031	489,001	436,195	67,030	64,596	556,031	500,791
2032 - 2036	618,356	305,568	106,915	44,156	725,271	349,724
2037 - 2041	580,183	141,171	106,820	18,378	687,003	159,549
2042 - 2046	249,031	35,415	4,145	409	253,176	35,824
2047 - 2050	31,415	2,868	-	-	31,415	2,868
Totals	$ 2,361,662	$ 1,462,587	$ 347,890	$ 208,189	$ 2,709,552	$ 1,670,776

Annual debt service requirements for fiscal year 2019-2020, including the swap payments discussed in F., are shown below for the above debt issues:

For the Year Ending June 30	Water System		Wastewater System		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 69,260	$ 118,772	$ 10,955	$ 17,875	$ 80,215	$ 136,647
2022	72,196	115,563	11,480	17,329	83,676	132,892
2023	75,666	112,128	12,010	16,757	87,676	128,885
2024	78,935	108,477	12,575	16,158	91,510	124,635
2025	82,735	104,699	13,155	15,531	95,890	120,230
2026 - 2030	466,012	459,800	64,105	67,780	530,117	527,580
2031 - 2035	590,647	333,383	101,840	49,227	692,487	382,610
2036 - 2040	657,418	175,240	100,030	23,486	757,448	198,726
2041 - 2045	297,228	49,070	32,695	1,919	329,923	50,989
2046 - 2049	41,161	4,760	-	-	41,161	4,760
Totals	$ 2,431,258	$ 1,581,892	$ 358,845	$ 226,062	$ 2,790,103	$ 1,807,954

(Dollars in Thousands)

NOTE 7 - LONG TERM DEBT (Continued)

Interest payments on debt subject to swap agreements were calculated using the variable rates at June 30, 2021 and 2020, respectively.

D. Prior-Year Defeasances

In prior years, the District defeased certain debt issues by placing proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased debt are not included in the District's financial statements. As of June 30, 2021 and 2020, $110 million of the bonds outstanding are considered defeased.

E. Variable Rate Debt

The District has a number of bond issues with variable interest rates. The Water Series 2008A Bonds are subject to purchase on the demand of the holder with seven days prior notice at a price equal to the principal plus accrued interest. The remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100 percent of the principal amount by adjusting the interest rate. In the event that they are not sold, under Standby Bond Purchase Agreements (SBPAs) issued by banks for the above variable rate debt issues, the trustee or the remarketing agent is entitled to draw an amount sufficient to pay the purchase price of delivered bonds. The District's obligation to repay the banks for any draws on the respective SBPAs (to the extent such repayment is not thereafter provided from remarketing proceeds of the related bonds) is payable from net revenues of the Water System and secured on parity with the District's Water Revenue Bonds. The District is required to pay an annual commitment fee to the banks issuing SBPAs. Expiration dates of these SBPAs are presented below by debt issue. In addition, the remarketing agent receives an annual fee of seven basis points of the outstanding principal amount of the bonds.

	Standby Purchase Agreement Terms		
Issue	Expiration Date	Interest Rate	Interest Rate Swap
Water System Revenue			
Subordinated Bonds:			
Series 2008A-1	12/9/2022	Reset Weekly	See below
Series 2008A-2	12/27/2024	Reset Weekly	See below
Series 2008A-3	12/27/2024	Reset Weekly	See below
Series 2008A-4	12/9/2022	Reset Weekly	See below

(Dollars in Thousands)

NOTE 7 - LONG TERM DEBT (Continued)

F. Interest Rate Swap Agreements

The District has entered into a number of matched interest rate swap contracts with providers in which the District contracted to pay a fixed rate on the nominal amount of outstanding bonds, in exchange for a floating rate payment, set monthly on the first day of each calendar month for its LIBOR based swaps. The combination of variable rate bonds and a floating-rate swap creates synthetic fixed-rate debt for the District. The synthetic fixed rate on the bonds provides a hedge against increases in short-term interest rates. The terms, fair values, and credit risk of each of the swap agreements are discussed below.

Term and credit risks. The terms and credit ratings of the outstanding swaps, as of June 30, 2021, are included below. The District's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to follow scheduled reductions in the associated bonds.

Related Bond Issue	Notional Amount	Effective Date	Counterparty	Counterparty Credit Ratings (Moody's/ S&P)	Issuer Pays	Issuer Receives	Maturity/ Termination Date
2008A Water System Refunding Bonds	37,240	6/2/2005	JP Morgan Chase & Co.	Aa2/A+	3.115%	62.3% of 30-day LIBOR	6/1/2038
2008A Water System Refunding Bonds	37,240	6/1/2011	Bank of America National Assoc.	Aa2/A+	3.115%	62.3% of 30-day LIBOR	6/1/2038
2008A Water System Refunding Bonds	16,195	6/1/2012	Merrill Lynch Capital Services	A2/A-	3.115%	62.3% of 30-day LIBOR	6/1/2038
2008A Water System Refunding Bonds	14,575	9/25/2008	The Bank of New York Mellon	Aa2/AA-	3.115%	62.3% of 30-day LIBOR	6/1/2038

The effect of these transactions is structured to result in the approximate equivalent of the District paying a fixed rate on the bonds, since the inflow of payments from the LIBOR based swaps are anticipated to approximate the outflow of payments on the variable rate bonds. Only the net difference in the amount owed to and received from the swap providers is paid under the swap contracts.

Fair value. The fair value of the swaps takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and any upfront payments that may have been received. The fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. The fair values of each swap at June 30, 2021 and 2020, are included below:

Related Bond Issuance	Fair Value	
	2021	2020
2008A Water System Refunding Bonds	($29,400)	($40,513)

(Dollars in Thousands)

NOTE 7 - LONG TERM DEBT (Continued)

Credit risk. As of June 30, 2021, the District was not exposed to credit risk on its outstanding swaps because the swaps had a negative fair value of $29.4 million. The District faces a maximum possible loss equivalent to the swaps' fair value. However, if interest rates increase and the fair value of the swaps were to become positive, the District would be exposed to credit risk.

The District will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated. The swap agreements contain provisions that determine if and when the District or the counterparty must provide collateral. The agreements require full collateralization of the fair value of the swap should the counterparty's credit rating fall below a certain threshold. As of June 30, 2021, the District was not required to provide collateral to any swap counterparty.

Basis risk. Basis risk is the risk that the interest rate paid by the District on underlying variable rate bonds to bondholders temporarily differs from the variable swap rate received from the applicable counterparty. The District is exposed to basis risk as the District receives payments based on LIBOR rates to offset the actual variable interest rate the District pays on its bonds. The District is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the District pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary. For the year ended June 30, 2021, the District has a cumulative average basis difference on its swaps of a positive 3 basis points (the District received more from its swap floating rate payment than it paid out on its variable rate debt).

Termination risk. The District or the counterparty may terminate if the other party fails to perform under the terms of the swap contract. The District will be exposed to variable rates if the providers to the swap contracts default or if the swap contracts are terminated as it will lose the hedge provided by the swap. A termination of the swap contracts may also result in the District's making or receiving a termination payment based on market interest rates at the time of the termination. If at the time of termination the swap has a negative fair value, the District would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt. Using rates as of June 30, 2021, debt service requirements of the District's outstanding variable-rate debt and net swap payments are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary. These payments below are included in the Debt Service Requirements at Note 7C:

For the Year Ending June 30	Variable-Rate Bonds Principal	Variable-Rate Bonds Interest	Interest Rate Swaps, Net Interest	Total
2022	$ -	$ 21	$ 3,213	$ 3,234
2023	-	21	3,213	3,234
2024	-	21	3,213	3,234
2025	-	21	3,213	3,234
2026	-	22	3,212	3,234
2027 - 2031	11,675	103	15,709	27,487
2032 - 2036	64,575	55	8,501	73,131
2037 - 2041	29,000	3	450	29,453
Totals	$ 105,250	$ 267	$ 40,724	$ 146,241

NOTE 8 – NET POSITION

Net Position is the excess of all the District's assets and deferred outflows over all its liabilities and deferred inflows, regardless of fund. Net Position is divided into three captions. These captions apply only to Net Position and are described below:

Net Investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets and any related deferred outflows and inflows.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and fees charged for the provision of future water resources.

Unrestricted describes the portion of Net Position which is not restricted to use.

NOTE 9 – EMPLOYEES' RETIREMENT PLAN

A. Description

The Employees' Retirement System is a single-employer, contributory, defined benefit pension plan (the Plan) which provides retirement, disability, survivorship, and post-employment healthcare benefits for eligible directors, officers, and employees of the District. The Plan is administered by a Retirement Board composed of three members appointed by the District's Board of Directors and two members elected by and from the active membership of the Plan, and a nonvoting member elected by the retirees of the Plan. Retirement Ordinance No. 40 assigns the authority to establish Plan benefit provisions to the District's Board of Directors. A stand-alone financial report of the Employees' Retirement System is available. Please send request to the Controller, Accounting Division, P.O. Box 24055, Oakland, CA 94623-1055 or visit the District website at http://www.ebmud.com.

All regular full-time employees of the District are members of the Plan in addition to certain job share and intermittent employees. In accordance with the ordinance governing the System, eligible employees become members on the first day they are physically on the job. Members become vested in the Plan after five years of continuous full-time employment. Vested members who terminate employment may elect a refund of their contributions or leave them in the Plan until eligible to receive benefits.

The Plan is funded by contributions from its members and from the District. District contribution percentages are recommended by the Retirement Board; employee contribution rates are established by the Board of Directors pursuant to the Ordinance, giving consideration to actuarial recommendations and prospective changes in factors which affect funding.

NOTE 9 – EMPLOYEES' RETIREMENT PLAN (Continued)

B. Retirement Benefits and Allowances

There are two tiers in effect currently, the 1980 Plan and the 2013 Plan. Employees who became Members of the Retirement System prior to January 1, 2013, or who have reciprocal membership prior to January 1, 2013 are in the 1980 Plan (1980 Plan Members), employees who became Members on or after January 1, 2013, or who have reciprocal membership after January 1, 2013 are in the 2013 Plan (2013 Plan Members).

1980 Plan Members may elect voluntary reduced service retirement upon attaining the age of 54 and completing 5 years of continuous full-time employment. Members may elect voluntary unreduced service retirement upon attaining the age of 62 and completing 5 years of continuous full-time employment or age 65 without restriction. Members who continue to work upon attaining the normal retirement age of 65 continue to contribute to the Plan, and at the time they retire, computation of their retirement allowance is based upon their compensation and length of service as of the date of retirement. Service retirement allowances are computed by formulas specified in the Ordinance and are based on date of employment, length of employment, age at date of retirement, and compensation earned during employment.

2013 Plan Members may elect voluntary reduced service upon attaining the age of 52 and completing 5 years of continuous full-time employment. Members may elect voluntary unreduced service retirement upon attaining the age of 67, and completing 5 years of continuous full-time employment. Members who continue to work upon attaining the normal retirement age of 67 continue to contribute to the Plan, and at the time they retire, computation of their allowance is based upon their compensation and length of service as of the date of retirement. Service retirement allowances are computed by formulas specified in the Ordinance and are based on length of service, age at retirement, and compensation earned during employment.

C. Post-employment Healthcare Cost

In addition to retirement benefits, the District provides post-employment health benefits assistance (administered by the Employees' Retirement System) for employees who retire from the District or their surviving spouses. As of June 30, 2020 (date of latest actuarial valuation), there were 1,701 participants receiving these health care benefits.

Effective July 1, 1996, a 20-year vesting schedule for full benefits was implemented for all new participants. Effective January 1, 1999, retired members who had separated from the District prior to their retirement who has at least 10 years of service also became eligible for the post-employment health benefits based on the same sliding scale. The scale provides for 25% of healthcare benefits for service from 5 through 10 years, 50% of healthcare benefits for service from 10 through 15 years, 75% of healthcare benefits for service from 15 through 20 years, and 100% of healthcare benefits for service of 20 years or more. Effective July 1, 2003, the District reimbursed up to $450 per month ($550 per month effective July 1, 2004, for membership of a spouse or registered domestic partner) for any health, dental, or long-term care insurance premiums paid by the retiree for themselves, current spouse, or domestic partner, or any health, dental, or long-term care insurance premiums paid by the eligible surviving spouse of a retiree. These benefits are paid from a separate post-employment healthcare benefits fund which up until June 17, 2002, was advance funded entirely by the District on

(Dollars in Thousands)

NOTE 9 – EMPLOYEES' RETIREMENT PLAN (Continued)

an actuarially determined basis. Cash reimbursement of these benefits totaled $9,223 in the year ended June 30, 2021. Effective June 18, 2002, a portion of the post-employment healthcare benefits costs is recovered through employee contributions.

Through June 30, 1999, the medical premium subsidy was not a vested benefit and the District reserved the right to modify or terminate the benefit at any time. If the medical subsidy were terminated, assets accumulated from contributions made for the subsidy would be used to provide other pension benefits. Effective July 1, 1999, the medical premium subsidy became a vested benefit to a maximum of $200 per month, was changed effective October 1, 2000, to a maximum of $250 per month, and was changed effective July 1, 2002, to a maximum of $400 per month per month, and was changed effective July 1, 2003, to a maximum of $450 per month, and was changed again effective July 1, 2004, to a maximum of $450 per month and $550 per month for membership of a spouse or registered domestic partner.

D. Actuarial Assumptions and Funding Policy

The Plan's funding policy provides for periodic District contributions at actuarially determined amounts sufficient to accumulate the necessary assets to pay benefits when due as specified by ordinance. The individual entry age normal method is used to determine the normal cost for other post-employment benefits (OPEB) and service cost for pension, and the OPEB unfunded actuarial accrued liability (past service liability) is amortized as a level percentage of future payroll over 30 years open period.

District adopted contribution rates for the year ended June 30, 2021 are as follows:

1980 Plan:	
Pension plan:	
Employer service cost	15.92%
Toward unfunded pension liability	21.94%
Other post-employment benefits:	
Employer normal cost	1.00%
Unfunded actuarial accrued liability	4.32%
2013 Plan:	
Pension plan:	
Employer service cost	9.15%
Toward unfunded pension liability	22.09%
Other post-employment benefits:	
Employer normal cost	0.74%
Unfunded actuarial accrued liability	4.18%

(Dollars in Thousands)

NOTE 9 – EMPLOYEES' RETIREMENT PLAN (Continued)

District adopted contribution rates for fiscal year 2021-2022 are as follows:

1980 Plan:	
Pension plan:	
Employer service cost	18.45%
Toward unfunded pension liability	23.92%
Other post-employment benefits:	
Employer normal cost	0.97%
Unfunded actuarial accrued liability	3.82%
2013 Plan:	
Pension plan:	
Employer service cost	9.40%
Toward unfunded pension liability	23.92%
Other post-employment benefits:	
Employer normal cost	0.70%
Unfunded actuarial accrued liability	3.82%

(Dollars in Thousands)

NOTE 9 – EMPLOYEES' RETIREMENT PLAN (Continued)

Significant assumptions used to compute contribution requirements from the latest unaudited actuarial are as follows:

Valuation date	June 30, 2020
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll
Remaining amortization period	Plan changes, assumption changes, and experience gains/losses prior to July 1, 2011 are amortized over separate decreasing 30-year amortization periods. On or after July 1, 2011, plan changes are amortized over separate decreasing 15-year periods; assumptions changes are amortized over separate decreasing 25 year periods; experience gains/losses are amortized over separate decreasing 20 year periods.
Assets valuation method	Market value of assets less unrecognized returns in each last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five year period, further adjusted, if necessary, to be within 30% of the market value.
Actuarial assumptions:	
Net Investment Return	7.00%, net of investment and administrative expenses.
Average projected salary increases*	Ranges from 4.00% to 9.50% based on years of service*
Inflation rate	2.75%
Cost-of-living adjustments	3.00% per annum
Mortality	Pre-retirement: Pub-2010 General Employee Amount-Weighted Above-Median Mortality Tables, projected generationally with the two-dimensional mortality improvement scale MP-2020. Post-retirement: *Healthy Members* - Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020. *Disabled Members*- Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020. *Beneficiaries* - Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Tables with rates increased by 5% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2020.

*Includes inflation of 2.75% plus across the board salary increase of 0.50% plus merit and promotional increases.

(Dollars in Thousands)

NOTE 9 – EMPLOYEES' RETIREMENT PLAN (Continued)

E. Contributions Required and Contributions Made

Contributions for the years ended June 30, 2021, and June 30, 2020, based on the June 30, 2020, actuarial valuation (latest available and includes amounts for post-employment healthcare benefits), were as follows:

	2021			2020
	Pension	Healthcare Benefit Plan	Totals	
Regular contributions:				
District contributions	$ 79,252	$ 11,372	$ 90,624	$ 88,734
Member contributions	19,112	200	19,312	18,856
	98,364	11,572	109,936	107,590
Other contributions:				
Member buybacks	24	-	24	29
	$ 98,388	$ 11,572	$ 109,960	$ 107,619

Regular District and member contributions in fiscal year 2021 represent an aggregate of 40.74% and 8.68% of covered payroll, respectively. The District's contributions include amounts for post-employment healthcare benefits at a rate of 5.11% of covered payroll, determined by the actuarial dated June 30, 2020. The actual payroll for the District employees covered by the Plan for the year ended June 30, 2021, was $222,419 which was 90.98% of the total District payroll of $244,469.

The total District contributions of $90,624 is comprised of the normal cost of $32,108 and the unfunded actuarial accrued liability of $58,516.

Regular District and member contributions in fiscal year 2020 represent an aggregate of 40.98% and 8.72% of covered payroll, respectively. The District's contributions include amounts for post-employment healthcare benefits at a rate of 5.12% of covered payroll, determined by the actuarial dated June 30, 2019. The actual payroll for the District employees covered by the Plan for the year ended June 30, 2020, was $216,549 which was 91.06% of the total District payroll of $237,803.

The total District Contributions of $88,734 is comprised of the normal cost of $31,740 and the unfunded actuarial accrued liability of $56,994.

Member buyback contributions relate to prior years' service credits for Plan participants. The Plan was amended in 1998 for limited temporary construction workers and in 2003 for intermittent employees to allow current members, who previously worked for the District in a status which did not qualify for membership in the System, to establish retirement service credit for prior service with payments over a period of two to eight years.

(Dollars in Thousands)

NOTE 9 – EMPLOYEES' RETIREMENT PLAN (Continued)

F. Net Pension Liability

The net pension liability (the Plan's liability determined in accordance with GASB 68 less the fiduciary net position) as of June 30, is as shown below:

	2021	2020
Total Pension Liability	$ 2,535,238	$ 2,340,773
Plan Fiduciary Net Position	(1,813,591)	(1,792,124)
Employer Net Pension Liability	$ 721,647	$ 548,649
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	71.54%	76.56%
Covered Payroll	$ 215,110	$ 203,541
Liability as a Percentage of Covered Payroll	335.48%	269.55%

The actuarial assumptions used in the June 30, 2020 valuation were based on the July 1, 2016 through June 30, 2020 Actuarial Experience Study report dated November 12, 2020. Actuarial valuation of the ongoing System involves estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Employers' net pension liability presents multi-year trend information about whether the plan fiduciary net positions are increasing or decreasing over time relative to the total pension liability. These schedules are presented in the Required Supplementary Information section. The net pension liabilities presented for reporting dates June 30, 2021 and June 30, 2020 are based on the values measured as of June 30, 2020 and June 30, 2019, respectively (the measurement dates). No adjustments were made to the net pension liabilities between the measurement dates and reporting dates for reporting purposes.

Health Insurance Benefit Plan:

For the year ended June 30, 2021, the District recognized pension expense as follows:

	Water	Wastewater	Total
Contirbutions made after measurement date	$ (68,048)	$ (11,204)	$ (79,252)
Current year changes in the net pension liability:			
Service cost	39,576	6,549	46,125
Interest on total pension liability	139,955	23,159	163,114
Member contributions	(16,036)	(2,654)	(18,690)
Projected earnings on investments	(107,082)	(17,719)	(124,801)
Difference in expected and actual earnings	14,557	2,409	16,966
Other	35,713	4,955	40,668
Total current year activity	106,683	16,699	123,382
Total pension expense	$ 38,635	$ 5,495	$ 44,130

(Dollars in Thousands)

NOTE 9 – EMPLOYEES' RETIREMENT PLAN (Continued)

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Water	Wastewater	Water	Wastewater
Pension contributions subsequent to measurement date	$ 68,048	$ 11,204	$ -	$ -
Differences between expected and actual experiences	32,100	5,312	8,969	1,484
Changes of assumption	79,820	13,208	-	-
Change in proportion and difference between employer contributions and proportionate share of contributions	1,767	8	8	1,767
Net difference between projected and actual earnings on pension plan investments	44,728	7,402	-	-
Total	**$ 226,463**	**$ 37,134**	**$ 8,977**	**$ 3,251**

A total of $79,252 was reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Water	Wastewater
2022	$ 26,474	$ 3,672
2023	43,296	6,656
2024	42,781	6,613
2025	32,039	5,003
Thereafter	4,849	734
	$ 149,439	$ 22,678

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

(Dollars in Thousands)

NOTE 9 – EMPLOYEES' RETIREMENT PLAN (Continued)

The target allocation and projected arithmetic real rates of return, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption for each major asset class are summarized below:

Asset Class	Target Allocation	Long-Term Arithmetic Expected Real Rate of Return
Domestic Large Cap Equity	22.5%	5.44%
Domestic Small Cap Equity	2.5%	6.62%
Developed International Large Cap Equity	20.0%	6.71%
Emerging Market Equity	5.0%	8.93%
Core Bond	20.0%	1.07%
High-Yield Bond	2.5%	3.14%
Bank Loan	2.5%	3.55%
Real Estate	5.0%	5.09%
Covered Calls	20.0%	4.12%
Total	100.0%	

The discount rates used to measure the total pension liability was 7.00% as of June 30, 2020 and 7.00% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long- term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of both June 30, 2020 and June 30, 2019.

(Dollars in Thousands)

NOTE 9 – EMPLOYEES' RETIREMENT PLAN (Continued)

Changes in the net pension liability for fiscal year ended June 30, 2021 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Beginning Balance	$ 2,340,773	$ 1,792,124	$ 548,649
Changes Recognized during the Measurement Period:			
Service cost	46,124	-	46,124
Interest on total pension liability	163,114	-	163,114
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(6,199)	-	(6,199)
Changes of assumptions	104,814	-	104,814
Contributions from the employer	-	77,645	(77,645)
Contributions from the employee	-	18,690	(18,690)
Net investment income	-	39,973	(39,973)
Benefit payments, including refunds of employee contributions	(113,388)	(113,388)	-
Administrative expenses	-	(1,453)	1,453
Net Changes during the Measurement Period	194,465	21,467	172,998
Ending Balance	$ 2,535,238	$ 1,813,591	$ 721,647

In accordance with GASB 67 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the following table presents the net pension liability of the Plan as of June 30, 2021, calculated using the discount rate of 7.00% as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1- percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Net Pension Liability	$ 1,053,520	$ 721,647	$ 446,814

H. Net OPEB Liability

The net OPEB liability (The Plan's liability determined according to GASB 75) as of June 30, is shown below:

	2021	2020
Total OPEB Liability	$ 195,853	$ 173,712
Plan Fiduciary Net Position	(44,018)	(40,841)
Employer Net OPEB Liability	$ 151,835	$ 132,871
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	22.48%	23.51%

(Dollars in Thousands)

NOTE 9 – EMPLOYEES' RETIREMENT PLAN (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the July 1, 2016 through June 30, 2020 Actuarial Experience Study report dated November 12, 2020, and the Retiree Health assumptions letter dated December 14, 2020. They are the same as the assumptions used in the June 30, 2020 funding actuarial valuation except the discount rate is calculated as a blend of the investment return on plan assets and municipal bond rate in accordance with GASB 74, and implicit subsidy benefit payments are based on the age-based costs. The net OPEB liability is measured as of June 30, 2020 and 2019 and is not adjusted or rolled forward to the June 30, 2021 and 2020 reporting dates.

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below:

Valuation date	June 30, 2020
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll
Remaining amortization period	Plan changes, assumption changes, and experience gains/losses prior to July 1, 2011 are amortized over separate decreasing 30-year amortization periods. On or after July 1, 2011, plan changes are amortized over separate decreasing 15-year periods; assumption changes are amortized over separate decreasing 25-year periods; and experience gains/losses are amortized over separate decreasing 20-year periods.
Assets valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five year period, further adjusted, if necessary, to be within 30% of the market value.
Actuarial assumptions:	
Net Investment Return	4.40%, net of investment and administrative expenses.
Average projected salary increases*	Ranges from 4.00% to 9.50% based on years of service*
Inflation rate	2.75%
Health Care Trend	Non-Medicare: 6.625% graded to ultimate 4.50% over 9 years Medicare: 6.125% graded to ultimate 4.50% over 7 years
HIB increases	0.00%
Mortality	*Pre-Retirement- Pub-2010 General Employee Headcount-Weighted Above-Median Mortality Tables, projected generationally with the two-dimensional mortality improvement scale MP-2020.* *Post-Retirement Healthy Members*- Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020. *Post-Retirement Disabled Members*- Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020. *Beneficiaries*- Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Tables with rates increased by 5% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2020.

*Includes inflation of 2.75% plus across the board salary increase of 0.50% plus merit and promotional increases.

(Dollars in Thousands)

NOTE 9 – EMPLOYEES' RETIREMENT PLAN (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin.

The target allocation and projected arithmetic real rates of return, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption for each major asset class are summarized below:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Domestic Large Cap Equity	22.5%	5.44%
Domestic Small Cap Equity	2.5%	6.62%
Developed International Large Cap Equity	20.0%	6.71%
Emerging Market Equity	5.0%	8.93%
Core Bond	20.0%	1.07%
High-Yield Bond	2.5%	3.14%
Bank Loan	2.5%	3.55%
Real Estate	5.0%	5.09%
Covered Calls	20.0%	4.12%
Total	100.0%	

The municipal bond rates used to determine the blended discount rate, as discussed below, were 2.21% and 3.50% which are based on the 20-year municipal bond rate for the Bond Buyer 20-Bond GO Index as of June 30, 2020 and June 30, 2019, respectively.

The discount rates used to measure the total OPEB liability were 4.40% and 5.23% as of June 30, 2020 and June 30, 2019, respectively. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates for the $450/$550 HIB Subsidy excluding the implicit subsidy that will continue to be paid on a pay-as-you-go basis. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included.

(Dollars in Thousands)

NOTE 9 – EMPLOYEES' RETIREMENT PLAN (Continued)

Change in Net OPEB liability for fiscal year ended June 30, 2021 were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Beginning Balance	$ 173,712	$ 40,841	$ 132,871
Changes Recognized during the Measurement Period:			
Service cost	4,864	-	4,864
Interest on total OPEB liability	9,041	-	9,041
Changes in benefit terms	-	-	-
Difference between expected and actual experience	705	-	705
Changes of assumptions	18,913	-	18,913
Contributions from the employer	-	11,089	(11,089)
Contributions from the employee	-	195	(195)
Net investment income	-	890	(890)
Administrative expenses	-	(34)	34
Benefit payments, including implicit subsidies*	(11,382)	(11,382)	-
Other**	-	2,419	(2,419)
Net Changes during the Measurement Period	22,141	3,177	18,964
Ending Balance	$ 195,853	$ 44,018	$ 151,835

* Sum of cash benefit payments ($8,963) and estimated implicit subsidy benefit payments ($2,419)
** The total employer contribtuions for estimated implicit subsidy

In accordance with GASB 74 regarding the disclosure of the sensitivity of the net OPEB liability to changes in the discount rate, the following table presents the net OPEB liability of the Plan as of June 30, 2021, calculated using the discount rate of 4.40% as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.40%) or 1-percentage-point higher (5.40%) than the current rate:

	1% Decrease (3.40%)	Current Discount (4.40%)	1% Increase (5.40%)
Net OPEB Liability	$ 173,821	$ 151,835	$ 133,296

Additionally, in accordance with GASB 74 regarding disclosure of the sensitivity of the net OPEB liability to changes in the trend rate (only applied to implicit subsidy and not the $450/$550 cash subsidy), the following table presents the net OPEB liability of the Plan as of June 30, 2021, calculated using the current trend rates as well as what the Plan's net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1- percentage-point higher than the current rate:

	1% Decrease	Current Trend	1% Increase
Net OPEB Liability	$ 148,852	$ 151,835	$ 155,228

(Dollars in Thousands)

NOTE 9 – EMPLOYEES' RETIREMENT PLAN (Continued)

For the year ended June 30, 2021, the District recognized OPEB expense as follows:

	Water	Wastewater	Total
Contirbutions made after measurement date	$ (9,757)	$ (1,615)	$ (11,372)
Current year changes in the net OPEB liability:			
Service cost	4,172	693	4,865
Interest on total OPEB liability	7,754	1,288	9,042
Member contributions	(167)	(28)	(195)
Projected earnings on investments	(1,883)	(313)	(2,196)
Difference in expected and actual earnings	224	37	261
Other	(820)	(299)	(1,119)
Total current year activity	9,280	1,378	10,658
Total OPEB Expense	$ (477)	$ (237)	$ (714)

Components of deferred outflows and resources and deferred inflows of resources related to OPEB at June 30, 2021 were as follows:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Water	Wastewater	Water	Wastewater
OPEB contributions subsequent to measurement date	$ 9,757	$ 1,615	$ -	$ -
Differences between expected and actual experiences	495	82	3,220	535
Changes of assumption	16,470	2,735	1,627	270
Change in proportion and difference between employer contributions and proportionate share of contributions	453	-	-	453
Net difference between projected and actual earnings on OPEB plan investments	149	25	-	-
Total	**$ 27,324**	**$ 4,457**	**$ 4,847**	**$ 1,258**

$11,372 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2021. Amounts reported as deferred outflows and resources and deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Year Ended June 30	Water	Wastewater
2022	$ 1,450	$ 78
2023	2,448	267
2024	3,499	467
2025	3,577	510
Thereafter	1,745	263
	$ 12,719	$ 1,585

(Dollars in Thousands)

NOTE 9 – EMPLOYEES' RETIREMENT PLAN (Continued)

I. Public Employees' Pension Reform Act (PEPRA)

Assembly Bill 340 (AB 340) created the Public Employees' Pension Reform Act (PEPRA) that implemented new benefit formulas and final compensation periods, as well as new contribution requirements for new employees hired on or after January 1, 2013, who meet the definition of a new member under PEPRA. In the System, Members covered under PEPRA are 2013 Plan Members.

The table below provides the details of the 2013 Plan provisions in accordance with PEPRA.

Benefit Formula	2.5% at Age 67
Final Compensation Period	Average of last 3 years
Employer Normal Cost Contribution Rate as a percentage payroll	9.04% of Reportable Compensation
Member Normal Cost Contribution Rate as a percentage of payroll	8.75% of Reportable Compensation

The employer contribution rate listed above was in effect as of June 30, 2020. In accordance with the provisions of AB 340, the member contribution rate shown above was set at 50 percent of the expected total normal cost rate for the benefits that will apply to new members on January 1, 2013. The total normal cost rate used for this calculation is 17.79% of payroll for new members. Under AB 340, the member contributions rate is adjusted when the normal cost deviates by 1% or more from the original PEPRA valuation in 2013.

NOTE 10 – RISK MANAGEMENT

The District has purchased commercial insurance for general, property, public officials' liability and workers' compensation. During the fiscal year ended June 30, 2021, the District paid $2,278 for current year coverage.

The District's liability, property, and workers' compensation risks are insured by commercial insurance carriers, all of which are subject to the District's self-insurance retentions, which vary by type of coverage.

(Dollars in Thousands)

NOTE 10 – RISK MANAGEMENT (Continued)

Selected other coverages are:

Coverage	Policy Limit	Self-insurance retention
Workers' Compensation	Statutory Limit	$5,000
All risk property (except flood)	$200,000	500
Flood	25,000	1,500
Liability	90,000	10,000 Water/
		10,000 Wastewater
Crime	10,000	25
Boiler and Machinery	25,000	25
Pardee and Camanche Dams	25,000	25
Main Wastewater Treatment Plant	25,000	25

Settled claims have not exceeded the District's policy limits in any of the past five fiscal years.

Claim expenses and liabilities are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. As of June 30, 2021, the amount of these liabilities was $53,912. This amount (which has not been discounted) has been actuarially determined and includes an estimate of incurred but not reported losses. Changes in the reported liability are as follows:

	2021	2020
Liability at beginning of year	$47,331	$49,391
Current year claims and changes in estimates	14,251	9,252
Payments of claims	(7,670)	(11,312)
Liability at end of year	$53,912	$47,331
Estimated liability:		
Due within one year	$10,808	$10,838
Due in more than one year	43,104	36,493
	$53,912	$47,331

NOTE 11 – KNOWN ENVIRONMENTAL LIABILITIES

GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, provides guidance on accounting and financial reporting for pollution remediation obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities. Pollution remediation activities include: pre-cleanup activities, cleanup activities, external government oversight and enforcement, and operation and maintenance of the remedy. The following is a summary of the District's known environmental liabilities as of July 29, 2021, that may meet the requirements of GASB Statement No. 49:

- Under a NPDES permit issued by the San Francisco Regional Water Quality Control Board, discharges from the District's wet weather facilities are prohibited. In 2014, the District signed a Consent Decree on this matter that focuses on the excess wet weather flow entering the District's system and allows discharges to continue while work to reduce them is performed. The Consent Decree requires the District and its seven satellite agencies to do a range of work to reduce flows, including working with property owners to address leaks in their private sewer laterals. The Consent Decree is expected to be in place until 2036, at which time discharges will have ceased. The District's cost to meet the requirements in the Consent Decree is approximately $5,000 /year.

- In summer 2016, the Central Valley Regional Water Quality Control Board (CVRWQCB) requested that the District produce a technical report to reexamine the groundwater network at the Camanche North Shore (CANS) and Camanche South Shore (CASS) Wastewater Treatment Plants including the effectiveness of existing monitoring wells and hydraulic connections between the wastewater ponds and the aquifers. The technical report was provided in March 2017. The CVRWQCB stated in its winter 2018 response that it agreed with the CANS recommendations in the technical report and subsequently required the District to submit a work plan for new well installations as well as conduct additional monitoring. In May 2018, the District submitted its response to the CVRWQCB, including the work plan for the new CANS wells. The CVRWQCB has not yet responded to the District's May 2018 submittal of an updated work plan for installation of additional groundwater wells at CANS. In August 2018, the District submitted a required technical memorandum for CASS. In September 2018, the District submitted an assessment report for the cap on the closed CASS landfill also required by the CVRWQCB. The CVRWQCB has not responded to either submittal. The CVRWQCB requested additional analysis for the CASS facility which is ongoing. It is possible that the CVRWQCB could mandate the District to construct wastewater treatment pond upgrades. At this preliminary planning stage, it is estimated that the cost would be approximately $6,600 to upgrade the existing facilities or, alternatively, approximately $7,800 to construct a joint wastewater project with Amador County.

- The Alameda County Environmental Health Agency (County) requested that the District conduct site investigations at the Adeline Maintenance Center (AMC) Shops to define the extent of petroleum hydrocarbons in soil and groundwater associated with former underground storage tanks (USTs). The District completed site investigations in accordance with an approved work plan in 2009. The results indicated that elevated concentrations of petroleum hydrocarbons remain in soil and groundwater in localized areas near the former USTs. In June 2016, the County then requested that the District conduct a Sensitive Receptor Survey for the AMC Shops parcel and that all environmental data collected during previous investigations be posted to the State's GeoTracker website, after which a meeting would be scheduled to agree upon final actions necessary to obtain regulatory closure of the site under the State Water Resource Control Board's Low Threat Closure Policy. The County met with the District in July2018 to discuss next steps towards site closure. In March 2021, the County

NOTE 11 – KNOWN ENVIRONMENTAL LIABILITIES (Continued)

requested a Site Conceptual Model to help determine data gaps for the site. The Site Conceptual model was submitted to the County in June 2021 and the County has not yet responded to the submittal.

- The District operates many facilities throughout Northern California that have NPDES permits, waste discharge requirements, and air permits. The potential liability for violations, excluding items detailed above, is not known at this time.

NOTE 12 - CONTINGENT LIABILITIES

In the normal course of operations, the District is a party to various claims, legal actions and complaints, including challenges over certain rates and charges. The ultimate outcome of these matters is not presently determinable. In the opinion of the District, these actions when finally adjudicated will not have a material adverse effect on the financial position of the District.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Central Valley Project

In December 1970, the District entered into a contract with the US Bureau of Reclamation for access to up to 150,000 acre feet per year of Central Valley Project (CVP) water from a diversion point on the American River. The successor contract, the Long Term Renewal Contract, was executed in in April 2006 with a 40 year term. The Long Term Renewal Contract provides for delivery of up to 133,000 acre feet per year of CVP water in dry years to supplement the District’s surface water supplies. Deliveries to the District are limited to a 165,000 acre foot total over any three successive dry years. In years in which the District takes delivery of CVP water, the District’s allocated CVP capital cost and the District’s operations and maintenance deficit balance will be paid down commensurately with the quantity of water delivered. For example, if the District had to take delivery of 80,000 acre feet in fiscal year 15, the District’s CVP capital and deficit balances would each be reduced by approximately 20%. The balances must be paid off by 2030.

COVID-19 Pandemic

The District is assessing the effects of the ongoing pandemic (known as the COVID-19 pandemic) caused by a novel strain of coronavirus and the disease it causes on the District and its business and operations.

Current and potential economic and fiscal impacts to the District related to the COVID-19 pandemic include, but are not limited to, a slowdown in development activity in the District’s service areas and decline in the collection of capacity fees; reduced operating revenues due to lower-water sales and associated reductions in wastewater service revenue and/or increases in delinquencies or non-payment of utility bills; increased operating costs to support modified working arrangements and other COVID-19 related activities; reductions in property tax receipts of the District as a result of declines in assessed valuations in the District’s service area or increases in property tax delinquencies or non-payment; and/or reductions in investment income or increases in required pension and other

NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

post-employment benefit plan contributions as a result of ongoing volatility in the financial markets or a sustained decline in the value of plan assets.

The degree of impact to the District's finances and operations is difficult to predict due to the evolving nature of the COVID-19 pandemic. The ultimate duration and severity of the pandemic, the ramifications of future actions that may be taken or required by governmental authorities to contain and respond to the pandemic, and the severity of an associated economic recession and extent to which a recovery may be prolonged, are not yet known. In light of the uncertainties surrounding the COVID-19 pandemic and its impacts, management is unable to reasonably quantify the effect on future finances of the District at this time.

NOTE 14 - RECLASSIFICATION OF PRIOR YEAR EXPENSES

Reclassification within operating expenses

The District reclassified certain expenses within operating expenses for the fiscal year ended June 30, 2020. During fiscal year 2020 facilities management and depreciation expenses were reclassified Statements of Revenues, Expenses and Changes in Net Position for consistency with current year presentation. This reclassification had no effect on the reported results of operations. The facilities management and depreciation expenses were reclassified from $5,980 and $113,065 to $4,514 and $114,531, respectively.

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REQUIRED SUPPLEMENTAL INFORMATION

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EAST BAY MUNICIPAL UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021
(Dollars in thousands)

(1) Pension Plan

Schedule of Changes in Employer's Net Pension Liability:

Reporting Date	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Measurement Date	*2020*	*2019*	*2018*	*2017*	*2016*	*2015*	*2014*
Total Pension Liability							
Service cost	$ 46,124	$ 44,710	$ 40,636	$ 41,106	$ 37,828	$ 36,791	$ 34,987
Interest	163,114	154,896	149,324	144,392	138,135	131,595	127,558
Differences between expected and actual experience	(6,199)	25,974	48,581	(22,641)	5,278	(1,390)	438
Changes of assumptions	104,814	-	12,484	-	52,596	-	18,421
Benefit payments, including refunds of employee contributions	(113,388)	(105,785)	(98,062)	(90,705)	(83,886)	(77,790)	(71,232)
Net change in total pension liability	**194,465**	**119,795**	**152,963**	**72,152**	**149,951**	**89,206**	**110,172**
Total pension liability - beginning	**2,340,773**	**2,220,978**	**2,068,015**	**1,995,863**	**1,845,912**	**1,756,706**	**1,646,534**
Total pension liability - ending (a)	**$ 2,535,238**	**$ 2,340,773**	**$ 2,220,978**	**$ 2,068,015**	**$ 1,995,863**	**$ 1,845,912**	**$ 1,756,706**
Plan fiduciary net position							
Contributions - employer	$ 77,645	$ 74,033	$ 71,221	$ 67,096	$ 65,218	$ 64,177	$ 61,660
Contributions - employee	18,690	17,681	16,860	15,820	14,741	13,260	11,963
Net investment income	39,973	91,194	147,424	197,977	13,934	59,288	216,601
Benefit payments, including refunds of employee contributions	(113,388)	(105,785)	(98,062)	(90,705)	(83,886)	(77,790)	(71,232)
Administrative expense	(1,453)	(1,477)	(1,521)	(1,403)	(1,289)	(1,269)	(1,233)
Net change in plan fiduciary net	**21,467**	**75,646**	**135,922**	**188,785**	**8,718**	**57,666**	**217,759**
Plan fiduciary net position - beginning	**1,792,124**	**1,716,478**	**1,580,556**	**1,391,771**	**1,383,053**	**1,325,387**	**1,107,628**
Plan fiduciary net position - ending (b)	**$ 1,813,591**	**$ 1,792,124**	**$ 1,716,478**	**$ 1,580,556**	**$ 1,391,771**	**$ 1,383,053**	**$ 1,325,387**
Plan's net pension liability - ending (a) - (b)	**$ 721,647**	**$ 548,649**	**$ 504,500**	**$ 487,459**	**$ 604,092**	**$ 462,859**	**$ 431,319**

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Unaudited

(Dollars in thousands)

(2) Pension Plan

Schedule of Employer's Net Pension Liability:

Reporting Date	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Measurement Date	*2020*	*2019*	*2018*	*2017*	*2016*	*2015*	*2014*	*2013*
Total Pension Liability	$ 2,535,238	$ 2,340,773	$ 2,220,978	$ 2,068,015	$ 1,995,863	$ 1,845,912	$ 1,756,706	$ 1,646,534
Plan fiduciary net position	(1,813,591)	(1,792,124)	(1,716,478)	(1,580,556)	(1,391,771)	(1,383,053)	(1,325,387)	(1,107,628)
Net pension liability	$ 721,647	$ 548,649	$ 504,500	$ 487,459	$ 604,092	$ 462,859	$ 431,319	$ 538,906
Plan fiduciary net position as a percentage of total pension liability	71.54%	76.56%	77.28%	76.43%	69.73%	74.93%	75.45%	67.27%
Covered payroll*	$ 215,110	$ 203,541	$ 193,717	$ 182,032	$ 174,586	$ 166,886	$ 159,513	$ 153,707
Plan net pension liability as a percentage of covered payroll	335.48%	269.55%	260.43%	267.79%	346.01%	277.35%	270.40%	350.61%

*In accordance with GASB 82, the covered payroll amounts are defined as the payroll on which contributions to a pension plan are based. The covered payroll amounts for fiscal year 2014 through fiscal year 2016, were updated to adopt the provisions of GASB 82.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(Dollars in thousands)

(3) Pension Plan

Schedule of Employer's Contributions:

Year ended June 30	Actuarially determined contributions	Contributions in relation to the actuarially determined contributions	Contributions deficiency (excess)	Covered payroll*	Contributions as a percentage of covered payroll
2010	$ 44,031	$ 44,031	$ -	$ 161,641	27.24%
2011	50,987	50,987	-	160,336	31.80%
2012	52,156	52,156	-	158,481	32.91%
2013	53,795	53,795	-	153,707	35.00%
2014	61,660	61,660	-	159,513	38.66%
2015	64,177	64,177	-	166,886	38.46%
2016	65,218	65,218	-	174,586	37.36%
2017	67,096	67,096	-	182,032	36.86%
2018	71,221	71,221	-	193,717	36.77%
2019	74,033	74,033	-	203,541	36.37%
2020	77,645	77,645	-	215,110	36.10%
2021	79,252	79,252	-	222,419	35.63%

*Derived by dividing the contributions in relation to the actuarial determined contributions by the contributions as a percentage of covered employee payroll. These amounts may be different from the actual payroll of the District. In accordance with GASB 82, the covered payroll is defined as the payroll on which contributions to the pension plan are based. These amounts may be different from the actual payroll of the District. The actuarially determined contributions for the fiscal year ended June 30, 2021 are based on the reporting date. Years preceding fiscal year ended June 30, 2021 are based on the measurement date.

Unaudited

EAST BAY MUNICIPAL UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021
(Dollars in thousands)

(4) Pension Plan

Schedule of Investment Returns:

Reporting Date	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Annual money weighted rate of return, net of investment expense	26.85%	2.27%	5.37%	9.29%	14.46%	0.91%	4.40%	19.42%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(5) Post-Employment Healthcare Plan

Schedule of Changes in Employer's Net OPEB Liability:

Reporting Date	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Measurement Date	*2020*	*2019*	*2018*	*2017*	*2016*	*2015*
Total OPEB Liability						
Service cost	$ 4,864	$ 4,692	$ 4,827	$ 5,276	$ 4,514	$ 4,460
Interest	9,042	9,332	9,265	8,797	9,374	9,159
Differences between expected and actual experience	704	(2,783)	(3,299)	(1,711)	(3,286)	(309)
Changes of assumptions	18,913	5,753	(527)	(6,107)	12,471	-
Benefity payments - cash*	-	-	-	-	(7,685)	(7,394)
Benefit payments- estimated implicit subidy	(11,382)	(11,052)	(10,390)	(9,804)	(2,164)	(2,241)
Net change in total OPEB liability	**22,141**	**5,942**	**(124)**	**(3,549)**	**13,224**	**3,675**
Total OPEB liability - beginning	**173,712**	**167,770**	**167,894**	**171,443**	**158,219**	**154,544**
Total OPEB liability - ending (a)	**$ 195,853**	**$ 173,712**	**$ 167,770**	**$ 167,894**	**$ 171,443**	**$ 158,219**
Plan fiduciary net position						
Employer Contributions - cash	$ 11,089	$ 10,518	$ 9,875	$ 9,764	$ 9,454	$ 8,964
Employer Contributions - estimated implicit subsidy	-	-	-	-	2,164	2,241
Employee Contributions - total	11,089	10,518	9,875	9,764	11,618	11,205
Employee Contributions	195	184	219	198	184	167
Net investment income	890	2,060	2,925	3,706	271	938
Benefity payments - cash*		-	-	-	(7,685)	(7,394)
Benefit payments- estimated implicit subidy	(11,382)	(11,052)	(10,390)	(9,804)	(2,164)	(2,241)
Administrative expense	(34)	(33)	(30)	(26)	(22)	(20)
Other	2,419	2,402	2,075	1,892	-	-
Net change in plan fiduciary net position	**3,177**	**4,079**	**4,674**	**5,730**	**2,202**	**2,655**
Plan fiduciary net position - beginning	**40,841**	**36,762**	**32,088**	**26,358**	**24,156**	**21,501**
Plan fiduciary net position - ending (b)	**$ 44,018**	**$ 40,841**	**$ 36,762**	**$ 32,088**	**$ 26,358**	**$ 24,156**
Plan's net OPEB liability - ending (a) - (b)	**$ 151,835**	**$ 132,871**	**$ 131,008**	**$ 135,806**	**$ 145,085**	**$ 134,063**

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

*Benefit Payments and Employer Contributions - cash and estimated implicit subsidy report together starting fiscal year 2018.

Unaudited

(Dollars in thousands)

(6) Post-Employment Healthcare Plan

Schedule of Employer's Net OPEB Liability:

Reporting Date	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Measurement Date	*2020*	*2019*	*2018*	*2017*	*2016*	*2015*
Total OPEB Liability	$ 195,853	$ 173,712	$ 167,770	$ 167,894	$ 171,443	$ 158,219
Plan fiduciary net position	(44,018)	(40,841)	(36,762)	(32,088)	(26,358)	(24,156)
Net OPEB liability	$ 151,835	$ 132,871	$ 131,008	$ 135,806	$ 145,085	$ 134,063
Plan fiduciary net position as a percentage of total OPEB liability	22.48%	23.51%	21.91%	19.11%	15.37%	15.27%
Covered-employee payroll	$ 215,110	$ 203,541	$ 193,717	$ 182,032	$ 174,586	$ 166,886
Plan net OPEB liability as a percentage of covered-employee payroll	70.58%	65.28%	67.63%	74.61%	83.10%	80.33%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(7) Post-Employment Healthcare Plan

Schedule of Employer's Contributions:

Year ended June 30	Actuarially determined contributions	Contributions in relation to the actuarially determined contributions	Contributions deficiency (excess)	Covered payroll*	Contributions as a percentage of covered payroll
2010	$ 7,725	$ 7,725	$ -	$ 161,641	4.78%
2011	7,494	7,494	-	160,336	4.67%
2012	7,495	7,495	-	158,481	4.73%
2013	7,772	7,772	-	153,707	5.06%
2014	8,457	8,457	-	159,513	5.30%
2015	8,964	8,964	-	166,886	5.37%
2016	9,454	9,454	-	174,586	5.42%
2017	9,764	9,764	-	182,032	5.36%
2018	9,875	9,875	-	193,717	5.10%
2019	10,518	10,518	-	203,541	5.17%
2020	11,089	11,089	-	215,110	5.16%
2021	11,372	11,372	-	222,419	5.11%

*Derived by dividing the contributions in relation to the actuarial determined contributions by the contributions as a percentage of covered payroll. These amounts may be different from the actual payroll of the District. In accordance with GASB 82, the covered payroll is defined as the payroll on which contributions to the pension plan are based. These amounts may be different from the actual payroll of the District. The actuarially determined contributions for the fiscal year ended June 30, 2021 are based on the reporting date. Years preceding fiscal year ended June 30, 2021 are based on the measurement date.

Unaudited

(Dollars in thousands)

(8) Notes to Required Supplementary Information

The pension-related information presented in the required supplementary schedules was determined as part of the Pension actuarial valuation at the date indicated. Additional information as of the latest Pension actuarial valuation is as follows:

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll
Remaining amortization period	Plan changes, assumption changes, and experience gains/losses prior to July 1, 2011 are amortized over separate decreasing 30-year amortization periods. On or after July 1, 2011, plan changes are amortized over separate decreasing 15-year periods; assumptions changes are amortized over separate decreasing 25-year periods; and experience gains/losses (including year-to-year health assumption changes) are amortized over separate decreasing 20-year periods.
Assets valuation method	Market value of assets less unrecognized returns in each last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five year period, further adjusted, if necessary, to be within 30% of the market value.
Actuarial assumptions:	
Investment Rate of Return	7.00%, net of investment and administrative expenses
Average projected salary increases*	Ranges from 3.75% to 9.25% based on years of service*
Inflation rate	2.75%
Cost-of-living adjustments	2.75% per annum
Mortality	*Pre-retirement*: Headcount-Weighted RP-2014 Employee Mortality Table projected 20 years with the two-dimensional improvement scale MP-2015, set forward two years for males and one year for females. *After Service Retirement and All Beneficiaries*: Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected 20 years with the two-dimensional improvement scale MP-2015, set forward two years for males and one year for females. *After Disability Retirement:* Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected 20 years with the two-dimensional improvement scale MP-2015, set forward nine years for males and females.

**Includes inflation of 2.75% plus across the board salary increases of 0.50% plus merit and promotional increases.*

Unaudited.

(Dollars in thousands)

(8) Notes to Required Supplementary Information (Continued)

The OPEB-related information presented in the required supplementary schedules was determined as part of the OPEB actuarial valuation at the date indicated. Additional information as of the latest OPEB actuarial valuation is as follows:

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll
Remaining amortization period	Plan changes, assumption changes, and experience gains/losses prior to July 1, 2011 are amortized over separate decreasing 30-year amortization periods. On or after July 1, 2011, plan changes are amortized over separate decreasing 15-year periods; assumptions changes are amortized over separate decreasing 25-year periods; and experience gains/losses (including year-to-year health assumption changes) are amortized over separate decreasing 20-year periods.
Assets valuation method	Market value of assets less unrecognized returns in each last five years. Unrecognized return is equal to the difference between the actual market return and the of the expected return on the market value, and is recognized over a five year period, further adjusted, if necessary, to be within 30% of the market value.
Actuarial assumptions:	
Investment Rate of Return	7.00%, net of OPEB Plan investment expense, including inflation
Average projected salary increases*	Ranges from 3.75% to 9.25% based on years of service*
Inflation rate	2.75%
Health care trend	Non-Medicare: 6.625% graded to ultimate 4.50% over 9 years Medicare: 6.125% graded to ultimate 4.50% over 7 years
HIB increases	0.00%
Mortality	*Pre-retirement*: Headcount-Weighted RP-2014 Employee Mortality Table projected 20 years with the two-dimensional improvement scale MP-2015, set forward two years for males and one year for females. *After Service Retirement and All Beneficiaries*: Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected 20 years with the two-dimensional improvement scale MP-2015, set forward two years for males and one year for females. *After Disability Retirement:* Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected 20 years with the two-dimensional improvement scale MP-2015, set forward nine years for males and females.

**Includes inflation of 2.75% plus across the board salary increases of 0.50% plus merit and promotional increases.*

Unaudited.

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SUPPLEMENTAL INFORMATION

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EAST BAY MUNICIPAL UTILITY DISTRICT
EMPLOYEES' RETIREMENT SYSTEM TRUST FUND
COMBINING BALANCE SHEET
June 30, 2021
(With summarized comparative financial information as of June 30, 2020)
(DOLLARS IN THOUSANDS)

	2021			
	Pension plan benefits	Post-employment healthcare benefits	Total	2020 Total
Assets:				
Cash and cash equivalents, at fair value (Note 2)	$ 36,672	$ 923	$ 37,595	$ 57,852
Invested securities lending collateral	154,057	3,876	157,933	80,731
Prepaid expenses	-	578	578	575
Receivables:				
Brokers, securities sold	184	5	189	475
Employer	2,160	317	2,477	2,246
Plan members	538	-	538	484
Interest, dividends and recoverable taxes	4,219	106	4,325	4,707
Total Receivables	**7,101**	**428**	**7,529**	**7,912**
Investments, at fair value (Note 2):				
U.S. government obligations	247,902	6,237	254,139	143,915
Municipal bonds	648	16	664	705
Domestic corporate bonds	180,422	4,539	184,961	298,975
International bonds	19,747	497	20,244	19,793
Domestic stocks	1,080,371	27,181	1,107,552	849,826
International stocks	593,079	14,922	608,001	397,426
Real estate	111,117	2,796	113,913	95,649
Total Investments	**2,233,286**	**56,188**	**2,289,474**	**1,806,289**
Total Assets	**2,431,116**	**61,993**	**2,493,109**	**1,953,359**
Liabilities:				
Accounts payable and accrued expenses	2,545	64	2,609	2,396
Payables to brokers, securities purchased	3,751	94	3,845	12,623
Securities lending collateral (Note 2)	154,057	3,876	157,933	80,731
Total Liabilities	**160,353**	**4,034**	**164,387**	**95,750**
Net position restricted for pension benefits and post-employment healthcare benefits	2,270,763	57,959	2,328,722	1,857,609
Total Net Position	**$ 2,270,763**	**$ 57,959**	**$ 2,328,722**	**$ 1,857,609**

See Accompanying Notes to Financial Statements

EAST BAY MUNICIPAL UTILITY DISTRICT
EMPLOYEES' RETIREMENT SYSTEM TRUST FUND
COMBINING STATEMENT OF CHANGES IN NET POSITION
For the Year Ended June 30, 2021
(With summarized comparative financial information for the year ended June 30, 2020)
(DOLLARS IN THOUSANDS)

	2021			
	Pension plan benefits	**Post-employment healthcare benefits**	**Total**	**2020 Total**
Additions:				
Contributions:				
Employers	$ 79,252	$ 11,372	$ 90,624	$ 88,734
Plan members	19,136	200	19,336	18,885
Total Contributions	**98,388**	**11,572**	**109,960**	**107,619**
Investment Income:				
From Investment Activities				
Net appreciation (depreciation) in fair value investments:				
Traded securities	461,099	11,137	472,236	13,251
Real estate	(454)	(11)	(465)	688
Interest	11,333	274	11,607	13,263
Dividends	12,305	297	12,602	16,360
Real estate operating income, net	1,955	47	2,002	1,990
Total Investment Income	**486,238**	**11,744**	**497,982**	**45,552**
Less:				
Investment expense	(4,499)	(110)	(4,609)	(4,864)
Net Income from Investment Activities	**481,739**	**11,634**	**493,373**	**40,688**
From Security Lending Activities				
Security lending income	286	7	293	1,078
Borrowers' rebates and other agent fees on securities lending transactions	(116)	(3)	(119)	(903)
Security Lending Activities	**170**	**4**	**174**	**175**
Net Investment Income	**481,909**	**11,638**	**493,547**	**40,863**
Total Additions, net	**580,297**	**23,210**	**603,507**	**148,482**
Deductions:				
Benefits paid	120,975	9,223	130,198	121,889
Refunds of contributions	274	-	274	462
Administrative expenses	1,876	46	1,922	1,487
Total Deductions	**123,125**	**9,269**	**132,394**	**123,838**
Changes in Net Position	**457,172**	**13,941**	**471,113**	**24,644**
Net Position - Beginning of the Year	**1,813,591**	**44,018**	**1,857,609**	**1,832,965**
Net Position - End of the Year	**$ 2,270,763**	**$ 57,959**	**$ 2,328,722**	**$ 1,857,609**

See Accompanying Notes to Financial Statements

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
East Bay Municipal Utility District
Oakland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the East Bay Municipal Utility District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 23, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Directors
East Bay Municipal Utility District
Oakland, California

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lunghard, LLP

Sacramento, California
September 23, 2021

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. This summary is not to be considered a full statement of the terms of the Indenture and accordingly is qualified by reference thereto and is subject to the full text thereof. Capitalized terms not defined in this summary or elsewhere in the Official Statement have the respective meanings set forth in the Indenture.

There are no senior Wastewater Bonds outstanding, and the District has covenanted in the Indenture not to issue any senior Wastewater Bonds in the future. Therefore, all references hereto to "Wastewater Bonds" may be disregarded.

Certain Definitions

"Accreted Value" means, with respect to any Capital Appreciation Indebtedness, the principal amount thereof plus the interest accrued thereon, compounded at the interest rate thereon on each date as specified in the Indenture.

"Act" means the Municipal Utility District Act, constituting Division 6 of the Public Utilities Code of the State of California, and all laws of the State of California amendatory thereof or supplemental thereto, including the Revenue Bond Law of 1941, as made applicable by Article 6a of Chapter 6 of said Division 6, and Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California.

"Annual Debt Service" means, for any Fiscal Year, the aggregate amount of principal and interest on all Wastewater Bonds, Bonds and Parity Debt becoming due and payable during such Fiscal Year calculated using the principles and assumptions set forth under the definition of Debt Service.

"Assumed Debt Service" means, for any Fiscal Year, the aggregate amount of principal and interest which would be payable on all Wastewater Bonds, Bonds and Parity Debt if each Excluded Principal Payment were amortized for a period specified by the District (but no longer than thirty (30) years from the date of the issuance of the Wastewater Bonds, Bonds or Parity Debt to which such Excluded Principal Payment relates) on a substantially level debt service basis or other amortization basis provided by the District, calculated based on a fixed interest rate equal to the rate at which the District could borrow for such period, as certified by a certificate of a financial advisor or investment banker delivered to the Trustee, who may rely conclusively on such certificate, within thirty (30) days of the date of calculation.

"Bond Obligation" means, as of any given date of calculation, (1) with respect to any Outstanding Bond or Wastewater Bond which is Current Interest Indebtedness, the principal amount thereof, and (2) with respect to any Outstanding Bond or Wastewater Bond which is Capital Appreciation Indebtedness, the Accreted Value thereof.

"Bonds" means the bonds authorized by, and at any time Outstanding pursuant to, the Indenture.

"Business Day" means any day other than (1) a Saturday, Sunday, or a day on which banking institutions in the State of California or the State of New York are authorized or obligated by law or executive order to be closed, and (2) for purposes of payments and other actions related to Bonds secured by a letter of credit, a day upon which commercial banks in the city in which is located the office of the issuing bank at which demands for payment under the letter of credit are to be presented are authorized or obligated by law or executive order to be closed.

“Capital Appreciation Indebtedness” means Wastewater Bonds, Bonds and Parity Debt on which interest is compounded and paid less frequently than annually.

“Code” means the Internal Revenue Code of 1986, and the regulations applicable thereto or issued thereunder, as amended from time to time.

“Current Interest Indebtedness” means the Wastewater Bonds, Bonds and Parity Debt on which interest is paid at least annually.

“Debt Service” means, the amount of principal and interest becoming due and payable on all Wastewater Bonds, Bonds and Parity Debt provided, however, for the purpose of computing Debt Service:

(a) Excluded Principal Payments shall be excluded from such calculation and Assumed Debt Service shall be included in such calculation;

(b) if the Wastewater Bonds, Bonds or Parity Debt are Variable Rate Indebtedness, the interest rate thereon for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to the average of the SIFMA Municipal Swap Index for the five (5) years preceding such date of calculation (provided, however, that if such index is no longer published, the interest rate on such Wastewater Bonds, Bonds or Parity Debt shall be calculated based upon such similar index as the District shall designate in writing to the Trustee) (the “Assumed SIFMA-based Rate”);

(c) principal and interest payments on Wastewater Bonds, Bonds and Parity Debt shall be excluded to the extent such payments are to be paid from amounts on deposit with the Trustee or another fiduciary in escrow or trust specifically therefor and to the extent that such interest payments are to be paid from the proceeds of Wastewater Bonds, Bonds or Parity Debt held by the Trustee or another fiduciary as capitalized interest;

(d) in determining the principal amount, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such debt, including any Mandatory Sinking Account Payments or any scheduled redemption or payment of Wastewater Bonds, Bonds or Parity Debt on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Indebtedness;

(e) if any interest rate swap agreement is in effect with respect to, and the regularly scheduled payments thereunder are payable on a parity with, the Wastewater Bonds, Bonds or Parity Debt to which it relates, interest deemed to be payable on any such Wastewater Bonds, Bonds or Parity Debt with respect to which an interest rate swap agreement is in effect shall be based on the net economic effect expected by the District to be produced by the terms of such Wastewater Bonds, Bonds or Parity Debt and such interest rate swap agreement, including but not limited to the effects that (i) such Wastewater Bonds, Bonds or Parity Debt would, but for such interest rate swap agreement, be treated as Variable Rate Indebtedness instead shall be treated as Wastewater Bonds, Bonds or Parity Debt bearing interest at a fixed interest rate, and (ii) such

Wastewater Bonds, Bonds or Parity Debt would, but for such interest rate swap agreement, be treated as Wastewater Bonds, Bonds or Parity Debt bearing interest at a fixed interest rate instead shall be treated as Variable Rate Indebtedness; and accordingly, the amount of interest deemed to be payable on any Wastewater Bonds, Bonds or Parity Debt with respect to which an interest rate swap agreement is in force shall be an amount equal to the amount of interest that would be payable at the rate or rates stated in such Wastewater Bonds, Bonds or Parity Debt plus the amounts payable by the District under such interest rate swap agreement, minus the amounts receivable by the District under such interest rate swap agreement, and for the purpose of calculating as nearly as practicable such amounts, the following assumptions shall be made:

(1) if an interest rate swap agreement has been entered into by the District with respect to Wastewater Bonds, Bonds or Parity Debt providing for the payment of a net variable interest rate under such interest rate swap agreement with respect to such Wastewater Bonds, Bonds or Parity Debt by the District, the interest rate on such Wastewater Bonds, Bonds or Parity Debt for future periods when the actual interest rate cannot yet be determined shall be assumed (but only during the period the interest rate swap agreement is in effect) to be equal to the sum of (A) the fixed rate or rates stated in such Wastewater Bonds, Bonds or Parity Debt minus (B) the fixed rate paid by the counterparty of such interest rate swap agreement to the District, plus (C) the lesser of (x) the interest rate cap, if any, provided by a counterparty with respect to such interest rate swap agreement (but only during the period that such interest rate cap is in effect) and (y) the applicable variable interest rate calculated in accordance with paragraph (b) above; and

(2) if an interest rate swap agreement has been entered into by the District with respect to Wastewater Bonds, Bonds or Parity Debt providing for the payment of a fixed rate of interest to maturity or for a specific term under such interest rate swap agreement with respect to such Wastewater Bonds, Bonds or Parity Debt by the District, the interest on such Wastewater Bonds, Bonds or Parity Debt shall be included in the calculation of payments (but only during the period the interest rate swap agreement is in effect) by including for each period of calculation an amount equal to the amount of interest payable at the fixed interest rate pursuant to such interest rate swap agreement.

Notwithstanding any other paragraph of this definition of Debt Service, except as set forth in this paragraph (e), no amounts payable under any interest rate swap agreement (including termination payments) shall be included in the calculation of Debt Service;

(f) if any Wastewater Bonds, Bonds or Parity Debt are Variable Rate Indebtedness subject to tender for purchase and funds for the purchase price may be provided by a letter of credit, line of credit, revolving credit agreement, standby bond purchase agreement or other liquidity facility which, if drawn upon, could create a repayment obligation which has a lien on Subordinated Wastewater Revenues on parity with the lien of the Wastewater Bonds, Bonds or Parity Debt, then for purposes of determining the amounts of principal due in any Fiscal Year on such Wastewater Bonds, Bonds or Parity Debt, (i) the options or obligations of the owners of such Wastewater Bonds, Bonds or Parity Debt to tender the same for purchase or payment prior to the stated maturity or maturities shall be ignored and not treated as a principal maturity; and (ii) any repayment obligations of the District to the provider of such letter of credit, line of credit, revolving credit agreement, standby bond purchase agreement or other liquidity facility, other than its obligations on such Wastewater Bonds, Bonds or Parity Debt, shall be treated as Excluded Principal Payments; and

(g) if interest on any Wastewater Bonds, Bonds or Parity Debt is reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code, or any future similar program, then interest payments with respect to such Wastewater Bonds, Bonds or Parity Debt shall be reduced by the amount of such interest reasonably anticipated to be paid or reimbursed by the United States of America.

"Excluded Principal Payments" means each payment of principal (or the principal component of lease or installment purchase payments) of Wastewater Bonds, Bonds or Parity Debt which the District determines on a date not later than the date of issuance thereof that the District intends to pay with moneys which are not Wastewater Revenues or Subordinated Wastewater Revenues but from the proceeds of future debt obligations of the District and the Trustee may rely conclusively on such determination of the District.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period selected and designated as the official fiscal year period of the District, which designation shall be provided to the Trustee in a certificate of the District.

"Indenture" means the Wastewater System Subordinated Revenue Bond Indenture, dated as of April 1, 1990, by and between the Trustee and the District, as originally executed or as it may from time to time be supplemented or amended by any Supplemental Indenture delivered pursuant to the provisions thereof.

"Investment Securities" means the following:

(i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the Federal agencies and Federally sponsored entities set forth in clause (iii) below to the extent unconditionally guaranteed by the United States of America;

(ii) any certificates, receipts, securities or other obligations evidencing ownership of, or the right to receive, a specified portion of one or more interest payments or principal payments, or any combination thereof, to be made on any bond, note, or other obligation described above in clause (i);

(iii) obligations of the Federal National Mortgage Association, the Government National Mortgage Association, Federal Home Loan Banks and Federal Home Loan Mortgage Corporation;

(iv) obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing; provided that at the time of their purchase such obligations are rated not lower than their respective ratings on the Bonds by Moody's (if Moody's is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds);

(v) any bonds or other obligations of any state of the United States of America or any political subdivision thereof (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or their obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described above in clause (i), (ii) or (iii) which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the interest payment dates and the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described above in clause (i), (ii) or (iii) which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay the principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (v) on the interest payment dates and the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (v), as appropriate, and (d) which have been rated not lower than their respective ratings on the Bonds by Moody's (if Moody's is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds);

(vi) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by Moody's (if Moody's is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds) in their respective highest short-term Rating Categories, or, if the term of such indebtedness is longer than three (3) years, rated not lower than their respective ratings on the Bonds by Moody's (if Moody's is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds);

(vii) demand or time deposits or certificates of deposit, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee), provided that such certificates of deposit shall be purchased directly from such a bank, trust company or national banking association and shall be either (1) continuously and fully insured by the Federal Deposit Insurance Corporation, or (2) continuously and fully secured by such securities and obligations as are described above in clauses (i) through (iv), inclusive, which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit, and the bank, trust company or national banking association issuing each such certificate of deposit required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such certificate of deposit will at all times be an amount equal to the principal amount of each such certificate of deposit and the Trustee shall be entitled to rely on each such undertaking;

(viii) taxable commercial paper or tax-exempt commercial paper rated in their respective highest Rating Categories by Moody's (if Moody's is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds);

(ix) variable rate obligations required to be redeemed or purchased by the obligor or its agent or designee upon demand of the holder thereof secured as to such redemption or purchase requirement by a liquidity agreement with a corporation and as to the payment of interest and principal either upon maturity or redemption (other than upon demand by the holder thereof) thereof by an unconditional credit facility of a corporation, provided that the variable rate obligations themselves are rated in their respective highest Rating Categories for its short-term rating, if any, and not lower than their respective ratings on the Bonds for its long-term rating, if any, by Moody's (if Moody's is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds), and that the corporations providing the liquidity agreement and credit facility have, at the date of acquisition of the variable rate obligation by the Trustee, an outstanding issue of unsecured, uninsured and unguaranteed debt obligations rated not lower than their respective ratings on the Bonds by Moody's (if Moody's is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds);

(x) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee) having a minimum permanent capital of one hundred million dollars ($100,000,000) and with short-term debt rated by Moody's (if Moody's is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds) in their respective four highest short-term rating categories or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities and obligations described in clauses (i), (ii) or (iii) above, which shall have a market value (exclusive of accrued interest and valued at least monthly) at least equal to the principal amount of such investment and shall be lodged with the Trustee or other fiduciary, as custodian for the Trustee, by the bank, trust company, national banking association or bond dealer executing such repurchase agreement, and the entity executing each such repurchase agreement required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least monthly) will be an amount equal to the principal amount of each such repurchase agreement and the Trustee shall be entitled to rely on each such undertaking;

(xi) any cash sweep or similar account arrangement of or available to the Trustee, the investments of which are limited to investments described in clauses (i), (ii), (iii), (iv) and (x) of this definition of Investment Securities and any money market fund, the entire investments of which are limited to investments described in clauses (i), (ii), (iii), (iv) and (x) of this definition of Investment Securities and which money market fund is rated in their respective highest Rating Categories by Moody's (if Moody's is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds); provided that as used in this clause (xi) and clause (xii) investments will be deemed to satisfy the requirements of clause (x) if they meet the requirements set forth in clause (x) ending with the words "clauses (i), (ii) or (iii) above" and without regard to the remainder of such clause (x);

(xii) a guaranteed investment contract with a financial institution or insurance company which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated not lower than their respective ratings on the Bonds by Moody's (if Moody's is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds);

(xiii) shares of beneficial interest in diversified management companies investing exclusively in securities and obligations described in clauses (i) through (xii) of this definition of Investment Securities and which companies are rated in their respective highest Rating Categories by Moody's (if Moody's is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds) or have an investment advisor registered with the Securities and Exchange Commission with not less than five years' experience investing in such securities and obligations and with assets under management in excess of $500,000,000; and

(xiv) any investment approved by the Board for which confirmation is received from each rating agency then rating any of the Bonds that such investment will not adversely affect such agency's rating on such Bonds.

"Mandatory Sinking Account Payment" means the amount required to be deposited by the District in a sinking account for the payment of term Bonds.

"Maximum Annual Debt Service" means, the greatest amount of principal and interest becoming due and payable on all Wastewater Bonds, Bonds and Parity Debt in the Fiscal Year in which the calculation is made or any subsequent Fiscal Year calculated using the principles and assumptions set forth under the definition of Debt Service.

"Moody's" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the District and not objected to by the Trustee.

"Opinion of Bond Counsel" means a written opinion of a law firm of national standing in the field of public finance selected by the District and not objected to by the Trustee.

"Outstanding," when used at any particular time with reference to Bonds, means (subject to the provisions relating to disqualified bonds) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the District shall have been discharged under the Indenture; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

"Owner" or **"Bondholder"** or **"Bondowner,"** whenever used with respect to a Bond, means the person in whose name such Bond is registered.

"Parity Debt" means any indebtedness, installment sale obligation, lease obligation or other obligation of the District for borrowed money or interest rate swap agreement having an equal lien and charge upon the Subordinated Wastewater Revenues and therefore payable on a parity with the Bonds (whether or not any Bonds are Outstanding).

"Person" means a corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Rating Category" means (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"Redemption Price" means with respect to any Bond (or portion thereof) the principal amount of such Bond (or portion thereof) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

"Revenue Fund" means the fund held in trust by the District to which the Subordinated Wastewater Revenues are required to be deposited.

"Series" whenever used with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Indenture.

"SIFMA Municipal Swap Index" means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry & Financial Markets Association (formerly the Bond Market Association) ("SIFMA") or by any Person acting in cooperation with or under the sponsorship of SIFMA and effective from such date.

"Standard & Poor's" means Standard & Poor's Corporation, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the District and not objected to by the Trustee.

"Subordinated Wastewater Revenues" for any fiscal period means the sum of (a) the Wastewater Revenues for such fiscal period plus (b) the amounts, if any, withdrawn by the District from the Rate Stabilization Fund created in the Wastewater Bond Resolution for treatment as Wastewater Revenues for such fiscal period, less the sum of (c) all Wastewater Operation and Maintenance Costs for such fiscal period, (d) the amounts, if any, withdrawn by the District from Wastewater Revenues for such fiscal period for deposit in such Rate Stabilization Fund, and (e) all amounts required to be paid under the Wastewater Bond Resolution for principal, interest, reserve fund and any other debt service requirements on the Wastewater Bonds as the same become due and payable.

"Variable Rate Indebtedness" means any indebtedness the interest rate on which is not fixed at the time of incurrence of such indebtedness, and has not at some subsequent date been fixed, at a single numerical rate for the entire term of the indebtedness.

"Wastewater Bond Resolution" means Resolution No. 30051 of the District, adopted on January 26, 1982, as amended and supplemented from time to time. All obligations of the District under the Wastewater Bond Resolution have ceased and been discharged; provided, however, that the Rate Stabilization Fund created thereunder shall continue.

"Wastewater Bonds" means all bonds and other obligations of the District issued pursuant to the Wastewater Bond Resolution.

"Wastewater Operation and Maintenance Costs" means the reasonable and necessary costs of maintaining and operating the Wastewater System, calculated on sound accounting principles, including (among other things) the reasonable expenses of management, repair and other expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and reasonable amounts for administration, overhead, insurance, taxes and other similar costs, but excluding in all cases depreciation and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature, and excluding all costs paid from the proceeds of taxes received by the District.

"Wastewater Revenues" means, all charges received for, and all other income and receipts derived by the District from, the operation of the Wastewater System, or arising from the Wastewater System, together with income from the investment of any moneys in any fund or account established under the Wastewater Bond Resolution or the Indenture; provided, however, there shall be excluded therefrom any amounts reimbursed to the District by the United States of America pursuant to Section 54AA of the Code, or any future similar program.

"Wastewater System" means the entire sewage disposal system of Special District No. 1 of the District and all of the facilities thereof, including all facilities for the disposal of sewage, sewage treatment works, wastewater disposal facilities, sludge treatment facilities, intercepting and outfall sewers, power generation facilities, and other facilities necessary or convenient for the collection, treatment of disposition of sewage and wastewater for Special District No. 1 of the District, together with all additions, betterments, extensions and improvements to said system or any part thereof.

Pledge of Revenues

The Bonds are revenue obligations of the District and are payable as to both principal and interest, and any premium upon redemption thereof, exclusively from the Subordinated Wastewater Revenues and other amounts held by the Trustee (except for amounts held in the Rebate Fund). The Subordinated Wastewater Revenues are pledged to the payment of Bonds and Parity Debt without priority or distinction of one over the other. Said pledge constitutes a first lien on the Subordinated Wastewater Revenues and such other amounts referred to in this paragraph.

Allocation of Subordinated Wastewater Revenues

The District is to transfer the moneys in the Revenue Fund, into the following respective funds, in the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of Subordinated Wastewater Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority.

(1) Interest Fund. The District shall transfer to the Trustee and the Trustee shall set aside in the Interest Fund on or before the Business Day prior to each interest payment date therefor an amount equal to the interest becoming due and payable on the Outstanding Bonds which are Current Interest Indebtedness (excluding any interest for which there are moneys on deposit in the Interest Fund from the proceeds of any Series of Bonds or other source to pay such interest).

(2) Principal Fund; Sinking Accounts. The District shall transfer to the Trustee and the Trustee shall set aside in the Principal Fund on or before the Business Day prior to each principal or Sinking Account payment date therefor an amount equal to (a) the amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds, plus (b) the Mandatory Sinking Account Payments to be paid into the respective Sinking Accounts for the Term Bonds; provided that if the District certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from excess amounts on deposit in a bond reserve fund upon such payment, no amounts need be set aside towards such principal to be so refunded or paid. All of the aforesaid Mandatory Sinking Account Payments shall be made without priority of any payment into any one such Sinking Account over any other such payment.

(3) Bond Reserve Funds. Upon the occurrence of any deficiency in any Bond Reserve Fund established under the Indenture for any Series of Bonds, the District shall transfer to the Trustee and the Trustee shall set aside in such Bond Reserve Fund an amount equal to the aggregate amount of each unreplenished prior withdrawal from the Bond Reserve Fund until there is on deposit in such Bond Reserve Fund an amount equal to the respective reserve requirement.

Any Subordinated Wastewater Revenues remaining after the foregoing transfers shall be held free and clear of the Indenture by the District and it may use and apply such Subordinated Wastewater Revenues for any lawful purpose of the District, including the redemption and purchase of Bonds.

If on any principal payment date, interest payment date or mandatory redemption date the amounts on deposit in the Interest Fund and Principal Fund, including the Sinking Accounts therein are insufficient to make such payments, the Trustee shall immediately notify the District of such deficiency and direct that the District transfer the amount of such deficiency to the Trustee on such payment date. The District covenants and agrees to transfer to the Trustee from any Subordinated Wastewater Revenues in its possession the amount of such deficiency on the principal, interest or mandatory redemption date referenced in such notice.

Investments

All moneys in any of the funds and accounts held by the Trustee shall be invested, as directed by the District, solely in Investment Securities.

The District may and the Trustee shall, upon the Request of the District, enter into a financial futures or financial option contract with an entity the debt securities of which are rated in their respective highest short-term Rating Categories by Moody's and Standard & Poor's.

The District may and the Trustee shall, upon the Request of the District, and provided that the Trustee is supplied with an Opinion of Bond Counsel to the effect that such action is permitted under the laws of the State of California, enter into an interest rate swap agreement corresponding to the interest rate or rates payable on a Series of Bonds or any portion thereof and the amounts received by the District or the Trustee, if any, pursuant to such a swap agreement may be applied to the deposits required hereunder; in which case, the entity with which the District or the Trustee may contract for an interest rate swap is limited to entities the debt securities of which are rated in their respective highest short-term debt Rating Categories by Moody's and Standard & Poor's. If the District so designates, amounts payable under the interest rate swap agreement shall be secured by Subordinated Wastewater Revenues and other assets pledged hereunder to the Bonds on a parity basis therewith and, in such event, the District shall pay to the Trustee for deposit in the Interest Fund, at the times and in the manner provided in the Indenture, the amounts to be paid under such interest rate swap agreement, as if such amounts were additional interest due on the Bonds to which such interest rate swap agreement relates, and the Trustee shall pay to the other party to the interest rate swap agreement, to the extent required thereunder, amounts deposited in the Interest Fund for the payment of interest on the Bonds with respect to which such agreement was entered into.

Additional Bonds; Parity Debt

The issuance of additional Wastewater Bonds was not initially limited by the Indenture. *However, the District has covenanted pursuant to the Twelfth Supplemental Indenture that it will not issue any senior Wastewater Bonds in the future.*

The District may issue Bonds and Parity Debt payable from Subordinated Wastewater Revenues and secured equally and ratably with Bonds previously issued, subject to the following specific conditions precedent to the issuance of any such additional Bonds or Parity Debt:

(a) No Event of Default shall have occurred and then be continuing.

(b) The aggregate principal amount of Bonds or Parity Debt shall not exceed any limitation imposed by law or by any Supplemental Indenture.

(c) The District shall have placed on file with the Trustee a Certificate of the District certifying that the sum of: (1) the Subordinated Wastewater Revenues plus all amounts required to be paid under the Wastewater Bond Resolution for principal, interest, reserve fund and any other debt service requirements on the Wastewater Bonds for any period of 12 consecutive months during the 18 months immediately preceding the date on which such additional Bonds or Parity Debt will become Outstanding; plus (2) 90% of the amount by which the District projects Subordinated Wastewater Revenues for such period of 12 months would have been increased had increases in rates, fees and charges during such period of 12 months been in effect throughout such period of 12 months; plus (3) 75% of the amount by which the District projects Subordinated Wastewater Revenues will increase during the period of 12 months commencing on the date of issuance of such additional Series of Bonds due to improvements to the Wastewater System under construction (financed from any source) or to be financed with the proceeds of such additional Series of Bonds, shall (4) have been at least equal to 1.1 times the amount of Maximum Annual Debt Service on all Wastewater Bonds, Bonds and Parity Debt then Outstanding and the additional Bonds or Parity Debt then proposed to be issued.

Refunding Bonds

Refunding Bonds may be authorized and issued by the District without compliance with the provisions described above under "Additional Bonds; Parity Debt," provided that Maximum Annual Debt Service on all Wastewater Bonds, Bonds and Parity Debt Outstanding following the issuance of such refunding Bonds is less than or equal to Maximum Annual Debt Service on all Wastewater Bonds, Bonds and Parity Debt Outstanding prior to the issuance of such refunding Bonds.

Covenants

Among other covenants the District has agreed as follows:

The District will not create any pledge, lien or charge upon any of the Subordinated Wastewater Revenues having priority over or having parity with the lien of the Bonds except only as described above. The District will not amend or change the Wastewater Bond Resolution in any manner which would permit the issuance of additional Wastewater Bonds in a greater principal amount than would have been permitted thereunder prior to such amendment or change or reduce the debt service percentage or coverage requirements contained therein. The District will not issue Wastewater Bonds pursuant to the Wastewater Bond Resolution in such amount as would cause the District to fail to be in compliance with the rate covenant described in the second succeeding paragraph hereof.

The District will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code, if applicable. The District will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the District, or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code, if applicable. To that end, the District will comply with all requirements of Section 148 of the Code to the extent applicable to the Bonds.

The District will, at all times while any of the Bonds remain Outstanding, fix, prescribe and collect rates, fees and charges in connection with the services and facilities furnished by the Wastewater System so as to yield Wastewater Revenues in each Fiscal Year sufficient so that the sum of the Subordinated Wastewater Revenues for such year plus all amounts required to be paid under the Wastewater Bond Resolution for such year for principal, interest, reserve fund and any other debt service requirements on the Wastewater Bonds shall be at least equal to 1.1 times the amount of Debt Service on all Wastewater Bonds, Bonds and Parity Debt Outstanding for such Fiscal Year.

The District will maintain and preserve the Wastewater System in good repair and working order at all times, and will operate the Wastewater System in an efficient and economical manner. Subject in each case to the condition that insurance is obtainable at rates deemed reasonable by the District and upon terms and conditions deemed reasonable by the District, the District will procure and maintain at all times: (a) insurance on the Wastewater System against such risks as and in such amounts as the District deems prudent taking into account insurance coverage for similar utilities, and (b) public liability insurance in such amounts as the District deems prudent taking into account insurance coverage for similar utilities.

Events of Default; Remedies

The following events are Events of Default under the Indenture:

(a) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise, or default in the redemption from any Sinking Account of any Bonds in the amounts and at the times provided therefor;

(b) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) if the District shall fail to observe or perform any covenant, condition, agreement or provision in the Indenture on its part to be observed or performed, other than as referred to in subsection (a) or (b), for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, has been given to the District by the Trustee; except that, if such failure can be remedied but not within such sixty (60) day period and if the District has taken all action reasonably possible to remedy such failure within such sixty (60) day period, such failure shall not become an Event of Default for so long as the District shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Trustee;

(d) if any default shall exist under any agreement governing any Parity Debt and such default shall continue beyond the therein stated grace period, if any, with respect to such default;

(e) if any default shall exist under the Wastewater Bond Resolution and such default shall continue beyond the therein stated grace period, if any, with respect to such default;

(f) if the District files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or Federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself;

(g) if a court of competent jurisdiction shall enter an order, judgment or decree declaring the District insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the District, or approving a petition filed against the District seeking reorganization of the District under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within 60 days from the date of the entry thereof; and

(h) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the District or of the Subordinated Wastewater Revenues, and such custody or control shall not be terminated within 60 days from the date of assumption of such custody or control.

If an Event of Default shall occur and be continuing, the District is to immediately transfer to the Trustee all Subordinated Wastewater Revenues held by it and received thereafter and the Trustee shall apply all Subordinated Wastewater Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (except as otherwise provided in the Indenture) as follows and in the following order:

(1) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and Parity Debt, including the costs and expenses of the Trustee and the Bondholders in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under the Indenture;

(2) To the payment of the whole amount of Bond Obligation then due on the Bonds and Parity Debt (upon presentation of the Bonds and Parity Debt to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, with interest on such Bond Obligation, at the rate or rates of interest borne by the respective Bonds and Parity Debt, to the payment to the persons entitled thereto of all installments of interest then due and the unpaid principal or Redemption Price of any Bonds and Parity Debt which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue Bond Obligation and Parity Debt at the rate borne by the respective Bonds and Parity Debt, and, if the amount available shall not be sufficient to pay in full all the Bonds and Parity Debt due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or interest or Accreted Value (plus accrued interest) due on such date to the persons entitled thereto, without any discrimination or preference.

In each and every such case during the continuance of such Event of Default, the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding shall be entitled, upon notice in writing to the District, to declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable.

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, the District shall pay to or shall deposit with the Trustee a sum sufficient to pay all principal on such Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, and the reasonable expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee, or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, by written notice to the District and to the Trustee, may, on behalf of the Owners of all the Bonds, rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

The Trustee is appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) to represent the Owners in the matter of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, the Indenture, the Act and applicable provisions of any other law. Upon any default or other occasion, giving rise to a right in the Trustee to represent the Bondholders, the Trustee may take such action as may seem appropriate and, upon the request in writing of Owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Owners by such appropriate actions as it shall deem most effectual to protect and enforce any such right.

No remedy conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

Amendments

The Indenture and the rights and obligations of the District, the Owners of the Bonds and the Trustee may be modified or amended at any time by a Supplemental Indenture, with the written consent of the Owners of a majority in the aggregate amount of Bonds then Outstanding. No such modification or amendment shall (a) extend the fixed maturity of any Bond or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided for the payment of any Bonds, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Owner of each Bond so affected, or (b) reduce the aforesaid percentage of Bond Obligation the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Subordinated Wastewater Revenues and other assets pledged under the Indenture, or deprive the Owners of the Bonds of the lien created by the Indenture on such Subordinated Wastewater Revenues and other assets, without the consent of the Owners of all of the Bonds then Outstanding.

The Indenture may also be modified or amended at any time with the written consents of each provider of a letter of credit or a policy of bond insurance for the Bonds, provided that at such time the payment of all the principal of and interest on all Outstanding Bonds shall be insured by a policy or policies of municipal bond insurance or payable under a letter of credit the provider of which shall be a financial institution or association having unsecured debt obligations rated, or insuring or securing other debt obligations rated on the basis of such insurance or letters of credit, rated not lower than the respective ratings on the Bonds by Moody’s (if Moody’s is then rating the Bonds) or Standard & Poor’s (if Standard & Poor’s is then rating the Bonds).

The Indenture and the rights and obligations of the District, of the Trustee and the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture, without the consent of any Bondholders but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the District or to surrender any right or power reserved to or conferred upon the District;

(2) to make such provisions for the purpose of curing any omission or ambiguity, or of curing or correcting any defective provision contained in the Indenture, or in regard to

questions arising under the Indenture, as the District may deem necessary or desirable, and which shall not materially and adversely affect the interests of the Owners of the Bonds;

(3) to modify the Indenture in such manner as to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statutes and which shall not materially and adversely affect the interests of the Owners of the Bonds;

(4) to make modifications or adjustments necessary or desirable to provide for the issuance of Variable Rate Indebtedness, Capital Appreciation Indebtedness or Parity Debt, with such interest rate, payment, maturity and other terms as the District may deem desirable, subject to the provisions of the Indenture;

(5) to provide for the issuance of Bonds in book-entry form or bearer form, provided that such provisions shall not materially and adversely affect the interest of the Owners of the Bonds;

(6) if the District agrees in a Supplemental Indenture to maintain the exclusion of interest on a Series of Bonds from gross income for purposes of federal income taxation, to make such provisions as are necessary or appropriate to ensure such exclusion;

(7) to provide for the issuance of an additional Series of Bonds pursuant to provisions of the Indenture; and

(8) for any other purpose that does not materially and adversely affect the interests of the Owners of the Bonds.

Defeasance

Bonds may be paid by the District in any of the following ways:

(a) by paying or causing to be paid the Bond Obligations of and interest on such Outstanding Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount to pay or redeem such Outstanding Bonds; or

(c) by delivering to the Trustee, for cancellation by it, such Outstanding Bonds.

Upon the deposit with the Trustee, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the District in respect of such Bond shall cease, terminate and be completely discharged, provided that the Owner thereof shall thereafter be entitled to the payment of the principal of and premium, if any, and interest on the Bonds, and the District shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payments.

The District may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) Investment Securities described in clauses (i), (ii) or (v) of the definition thereof, the principal of and interest on which when due will, in the opinion of an independent certified public accountant delivered to the Trustee (upon which opinion the Trustee may conclusively rely), provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as required by the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Request of the District) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.

APPENDIX D

PROPOSED FORM OF CO-BOND COUNSEL OPINIONS

Upon the delivery of the Series 2022 Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, and Curls Bartling P.C., Oakland, California, Co-Bond Counsel, propose to render their final approving opinions with respect to the Series 2022 Bonds in substantially the following form:

[Closing Date]

East Bay Municipal Utility District
Oakland, California

EAST BAY MUNICIPAL UTILITY DISTRICT
(Alameda and Contra Costa Counties, California)

$__________	**$_________**
Wastewater System Revenue Bonds, Series 2022A (Green Bonds)	**Wastewater System Revenue Refunding Bonds, Series 2022B**

Ladies and Gentlemen:

We have acted as co-bond counsel to the East Bay Municipal Utility District (the "District") in connection with the issuance of its $_________ aggregate principal amount of Wastewater System Revenue Bonds, Series 2022A (Green Bonds) (the "Series 2022A Bonds") and $________ aggregate principal amount of Wastewater System Revenue Refunding Bonds, Series 2022B (the "Series 2022B Bonds" and, collectively with the Series 2022A Bonds, the "Series 2022 Bonds"). The Series 2022 Bonds are being issued pursuant to the Municipal Utility District Act (constituting Division 6 of the Public Utilities Code of the State of California, as amended), the Revenue Bond Law of 1941 as made applicable by Article 6a of Chapter 6 of Division 6 of the Municipal Utility District Act, and with respect to the Series 2022B Bonds, Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, as amended (collectively, the "Act"), and a Wastewater System Subordinated Revenue Bond Indenture, dated as of April 1, 1990, by and between the District and First Interstate Bank of California, which has been succeeded by U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), as amended and supplemented, including as amended and supplemented by a Twentieth Supplemental Indenture, dated as of June 1, 2022, providing for the issuance of the Series 2022 Bonds (collectively, the "Indenture"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In our capacity as co-bond counsel, we have reviewed the Act, the Indenture, the Tax Certificate executed and delivered by the District in connection with the issuance and delivery of the Series 2022 Bonds (the "Tax Certificate"), certifications of the District, the Trustee, and others, opinions of counsel to the District and the Trustee, and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein. We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest (and original issue discount) on the Series 2022 Bonds to be included in gross income for federal income tax purposes. With respect to the opinions expressed herein, we call attention to the fact that the rights and obligations under the Series 2022 Bonds and the Indenture are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws affecting creditors' rights, to the application of equitable principles, to the possible unavailability of specific performance or injunctive relief, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California. Furthermore, the imposition of certain fees and charges by the District relating to the Wastewater System is subject to the provisions of Articles XIIIC and XIIID of the California Constitution.

By delivering this letter, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the Series 2022 Bonds or the Indenture, nor are we expressing any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on any assets thereunder.

Based upon the foregoing and subject to the limitations and qualifications herein specified, as of the date hereof, we are of the opinion, under existing law, that:

1. The Series 2022 Bonds constitute the valid and binding special limited obligations of the District.

2. The Indenture has been duly authorized, executed and delivered by, and constitutes the valid and binding obligation of, the District. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series 2022 Bonds, of the Subordinated Wastewater Revenues of the District, and certain other amounts held by the Trustee under the Indenture, as and to the extent set forth in the Indenture and subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

3. The Series 2022 Bonds are special limited obligations of the District and are payable exclusively from and are secured by a pledge of Subordinated Wastewater Revenues of the District and certain other amounts held by the Trustee under the Indenture, as and to the extent set forth in the Indenture and subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein. The general fund of the District is not liable, and neither the credit nor taxing power of the District is pledged, for the payment of the Series 2022 Bonds or the interest thereon.

4. Other bonds and parity debt of the District have been and may from time to time hereafter be issued under the Indenture which are payable from Subordinated Wastewater Revenues on a parity basis with the Series 2022 Bonds.

5. Under existing statutes, regulations, rulings and judicial decisions, the interest (and original issue discount) on the Series 2022 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

6. The interest (and original issue discount) on the Series 2022 Bonds is exempt from State of California personal income tax.

7. The difference between the issue price of a Series 2022 Bond (the first price at which a substantial amount of the Series 2022 Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Series 2022 Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Series 2022 Bond owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Series 2022 Bond owner will increase the Series 2022 Bond owner's basis in the applicable Series 2022 Bond. Original issue discount that accrues for the Series 2022 Bond owner is excluded from the gross income of such Series 2022 Bond owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals (as described in paragraph 5 above) and is exempt from State of California personal income tax.

8. The amount by which a Series 2022 Bond owner's original basis for determining loss on sale or exchange in the applicable Series 2022 Bonds (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable bond premium reduces the Series 2022 Bond owner's basis in the applicable Series 2022 Bonds (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Series 2022 Bond owner realizing a taxable gain when a Series 2022 Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2022 Bond to the owner.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Series 2022 Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Series 2022 Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2022 Bonds. The District has covenanted to comply with all such requirements.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate permit certain actions to be taken or to be omitted if a favorable opinion of bond counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (or original issue discount) for federal income tax purposes with respect to any Series 2022 Bonds if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other provisions of the Code may give rise to adverse federal income tax consequences to particular Series 2022 Bond owners. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the Series 2022 Bonds.

The opinions expressed and the statements made herein are based on an analysis of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions and statements may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur, and we have no obligation to update this letter in light of such actions or events or for any other reason.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the official statement relating to the Series 2022 Bonds or other offering material relating to the Series 2022 Bonds and we expressly disclaim any duty to advise the owners of the Series 2022 Bonds with respect to matters contained in such official statement or other offering material.

This opinion is limited to the laws of the State of California and the federal laws of the United States. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

Respectfully submitted,

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix E concerning The Depository Trust Company, New York, New York ("DTC"), and DTC's book-entry system has been obtained from DTC and the District and the Trustee take no responsibility for the completeness or accuracy thereof. The District and the Trustee cannot and do not give any assurances that DTC, Direct Participants (as defined below) or Indirect Participants (as defined below) will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2022 Bonds, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series 2022 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2022 Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Appendix E. The District and the Trustee are not responsible or liable for the failure of DTC or any DTC Direct or Indirect Participant to make any payment or give any notice to a Beneficial Owner with respect to the Series 2022 Bonds or an error or delay relating thereto. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC's Direct and Indirect Participants are on file with DTC.

DTC will act as securities depository for the Series 2022 Bonds. The Series 2022 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of each Series of the Series 2022 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings' rating of AA+. The DTC Rules applicable to Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at *www.dtcc.com*. The information on such website is not incorporated herein by reference.

Purchases of Series 2022 Bonds under the DTC book-entry system must be made by or through Direct Participants, which will receive a credit for the Series 2022 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2022 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2022 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2022 Bonds, except in the event that use of the book-entry system for the Series 2022 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2022 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2022 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2022 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2022 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2022 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2022 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2022 Bond documents. For example, Beneficial Owners of the Series 2022 Bonds may wish to ascertain that the nominee holding the Series 2022 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2022 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2022 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 Series 2022 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the Series 2022 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest on the Series 2022 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2022 Bonds at any time by giving notice to the Trustee and the District. Under certain circumstances, in the event that a successor depository is not obtained, Series 2022 Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers for the Series 2022 Bonds through DTC (or a successor securities depository). In that event, Series 2022 Bond certificates will be printed and delivered as provided in the Indenture. In addition, the following provisions would apply: the principal or redemption price of the Series 2022 Bonds will be payable upon presentation thereof, at the principal corporate trust office of the Trustee, in San Francisco, California; interest on the Series 2022 Bonds will be payable by check mailed on each interest payment date to the registered owners thereof as shown on the registration books of the Trustee as of the close of business on the 15th day of the calendar month immediately preceding the applicable interest payment date (the "record date"), except that in the case of an owner of $1,000,000 or more in aggregate principal amount of Series 2022 Bonds, upon written request of such owner to the Trustee received at least 10 days prior to the record date for the payment of interest, specifying the account or accounts to which such payment shall be made (which request shall remain in effect until revoked by such owner in a subsequent writing delivered to the Trustee), such interest shall be paid in immediately available funds by wire transfer to such account or accounts on the following interest payment date; and the Series 2022 Bonds will be transferable and exchangeable on the terms and conditions provided in the Indenture.

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

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APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement"), dated ____________, 2022, is executed and delivered by the East Bay Municipal Utility District (the "District") and Digital Assurance Certification, LLC (the "Dissemination Agent") in connection with the issuance of $____________ aggregate principal amount of Wastewater System Revenue Bonds, Series 2022A (Green Bonds) and $____________ aggregate principal amount of Wastewater System Revenue Refunding Bonds, Series 2022B (together, the "Bonds"). The Bonds are being issued pursuant to a Wastewater System Subordinated Revenue Bond Indenture, dated as of April 1, 1990, by and between the District and U.S. Bank Trust Company, National Association as successor trustee (the "Trustee"), as amended and supplemented, including as amended and supplemented by the Twentieth Supplemental Indenture, dated as of June 1, 2022, providing for the issuance of the Bonds (collectively, the "Indenture"). In connection therewith, the District and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter (as defined herein) in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

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

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

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

"Disclosure Representative" shall mean the Director of Finance or the Treasury Manager of the District or a designee of the Director of Finance, or such other officer or employee as the District shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean Digital Assurance Certification, LLC, or any successor dissemination agent designated in writing by the District and which has filed a written acceptance of such designation.

"Financial Obligation" shall mean 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 a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"Holder" shall mean either the registered owners of the Bonds or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Listed Event" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

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

"Official Statement" shall mean the Official Statement for the Bonds dated ____________, 2022, as it may be updated prior to the delivery of the Bonds.

"Participating Underwriter" shall mean the underwriters of the Bonds listed on the cover page of the Official Statement required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the United States Securities and Exchange Commission.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than December 31 of each year in which the Bonds are outstanding, commencing with the Annual Report for the Fiscal Year 2021-22 (which is due not later than December 31, 2022), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report must be submitted in electronic format, accompanied by such identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; *provided* that if the audited financial statements of the District are not available by the date required above for the filing of the Annual Report, the District shall submit the audited financial statements as soon thereafter as available. If the District's Fiscal Year changes, the District shall give notice of such change in the same manner as for a Listed Event under Section 5(c) and the Annual Reports shall be provided to the MSRB no later than six months after the end of such Fiscal Year.

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

(c) The Dissemination Agent shall:

(i) determine the electronic filing address of, and then-current procedures for submitting Annual Reports to, the MSRB each year prior to the date for providing the Annual Report; and

(ii) file a report with the District and (if the Dissemination Agent is not the Trustee, the Trustee) certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Agreement, and stating the date it was provided.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following categories or similar categories of information updated to incorporate information for the most recent fiscal or calendar year, as applicable (the tables referred to below are those appearing in the Official Statement relating to the Bonds):

(a) The audited financial statements of the District for the prior Fiscal Year, 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 time the Annual Report is required to be filed pursuant to Section 3(a), 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) A table showing Wastewater System sources of funds;

(c) A table showing Wastewater System rates and charges for the preceding Fiscal Year;

(d) A table showing average daily Wastewater flows of the Wastewater System for the preceding Fiscal Year;

(e) A table showing Outstanding Wastewater System debt as of the preceding Fiscal Year; and

(f) A table showing Wastewater System revenues, operating and maintenance expenses, debt service on Wastewater System revenue bonds and debt service coverage for the Wastewater System revenue bonds for the most recent Fiscal Year.

Financial and operating information relating to the District referenced in items 3(b)-(f) above may be updated from time to time, and such updates may involve displaying data in a different format or table or eliminating data that is no longer material.

Any or all of the items listed above may also be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the MSRB or the SEC. If any document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this section, upon the occurrence of any of the following events (in each case to the extent applicable) with respect to the Bonds, the District shall give, or cause to be given by so notifying the Dissemination Agent in writing and instructing the Dissemination Agent to give, notice of the occurrence of such event, in each case, pursuant to Section 5(c) hereof:

1. principal or interest payment delinquencies;

2. non-payment related defaults, if material;

3. modifications to the rights of the Bondholders, if material;

4. optional, contingent or unscheduled calls, if material, and tender offers;

5. defeasances;

6. rating changes;

7. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

8. unscheduled draws on the debt service reserves reflecting financial difficulties;

9. unscheduled draws on the credit enhancements reflecting financial difficulties;

10. substitution of the credit or liquidity providers or their failure to perform;

11. release, substitution or sale of property securing repayment of the Bonds, if material;

12. bankruptcy, insolvency, receivership or similar proceedings of the District, which shall occur as described below;

13. appointment of a successor or additional trustee or the change of name of a trustee, if material;

14. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the Wastewater System 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;

15. incurrence of a Financial Obligation of the District with respect to the Wastewater System, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District with respect to the Wastewater System, any of which affects Holders of the Bonds, if material; or

16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District with respect to the Wastewater System, any of which reflect financial difficulties.

For these purposes, (i) any event described in item 12 of this Section 5(a) 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; and (ii) the District intends to comply with the provisions hereof for the Listed Events described in subparagraphs (15) and (16) of this Section 5(a), and the definition of the "Financial Obligation" in Section 2, with reference to the Rule, any other applicable federal securities laws and guidance provided by the SEC in its Release No. 34-83885 dated August 20, 2018 (the "2018 Release"), any further amendments or written guidance provided by the SEC or its staff with respect to the amendments to the Rule effected by the 2018 Release.

(b) Upon receipt of notice from the District and instruction by the District to report the occurrence of any Listed Event, the Dissemination Agent shall provide notice thereof to the MSRB in accordance with Section 5(c) hereof. In the event the Dissemination Agent shall obtain actual knowledge of the occurrence of any of the Listed Events, the Dissemination Agent shall, immediately after obtaining such knowledge, contact the Disclosure Representative, inform such person of the event, and request that the District promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to Section 5(c). For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of such Listed Event shall mean actual knowledge by the Dissemination Agent. The Dissemination Agent shall have no responsibility to determine the materiality, if applicable, of any of the Listed Events.

(c) The District, or the Dissemination Agent, if the Dissemination Agent has been instructed by the District to report the occurrence of a Listed Event, shall file a notice of such occurrence with the MSRB in a timely manner not more than ten (10) business days after the occurrence of the event.

Section 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate with respect to all Bonds upon the maturity, defeasance, prior redemption, acceleration or payment in full of all of the Bonds and with respect to any Bonds upon the maturity, defeasance, prior redemption or payment in full of such Bonds.

Section 7. 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 Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Trustee, upon notice from the District, shall be the Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Agreement. The Dissemination Agent shall receive compensation for the services provided pursuant to this Disclosure Agreement.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District and the Dissemination Agent may amend this Disclosure Agreement (and, to the extent that any such amendment does not materially change or increase its obligations hereunder, the Dissemination Agent shall agree to any amendment so requested by the District), and any provision of this Disclosure Agreement may be waived; *provided,* that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), Section 4 or Section 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 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Filings with the MSRB. All information, operating data, financial statements, notices and other documents provided to the MSRB in accordance with this Disclosure Agreement shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. 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 Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% of the aggregate principal amount of Outstanding Bonds and upon provision of indemnification satisfactory to the Trustee, shall), or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the District or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance hereunder.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, 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 it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding any loss, expense and liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the District:	To the Dissemination Agent:
East Bay Municipal Utility District 375 Eleventh Street, MS 801 Oakland, California 94607-4240 Attention: Treasury Manager Phone: 510-287-0248 Fax: 510-287-0555	Digital Assurance Certification, LLC 315 E. Robinson Street, Suite 300 Orlando, Florida 32801 Attention: Shelley Rodgers, Client Service Manager Phone: 404-515-1082

Section 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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IN WITNESS WHEREOF, this Disclosure Agreement has been executed on behalf of the District and the Dissemination Agent by their duly authorized representatives.

EAST BAY MUNICIPAL UTILITY DISTRICT

By:_____________________________________
Sophia D. Skoda
Director of Finance

DIGITAL ASSURANCE CERTIFICATION, LLC,
as Dissemination Agent

By:_____________________________________
Diana O'Brien
Senior Vice President

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: EAST BAY MUNICIPAL UTILITY DISTRICT

Name of Bond Issue: $__________
Wastewater System Revenue Bonds, Series 2022A (Green Bonds)

$__________
Wastewater System Revenue Refunding Bonds, Series 2022B

Date of Issuance: ____________, 2022

NOTICE IS HEREBY GIVEN that the East Bay Municipal Utility District (the "District") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Agreement, dated____________, 2022, by and between the District and Digital Assurance Certification, LLC, and in accordance with Section 36.16 of the Twentieth Supplemental Indenture, dated as of June 1, 2022, by and between the District and U.S. Bank Trust Company, National Association, as successor trustee (the "Trustee"), supplementing the Wastewater System Subordinated Revenue Bond Indenture, dated as of April 1, 1990, as supplemented and amended, by and between the District and the Trustee, providing for the issuance of the Bonds. The District anticipates that the Annual Report will be filed by ___________, 20__.

Dated: ______________, 20__

DIGITAL ASSURANCE CERTIFICATION, LLC, as
Dissemination Agent on behalf of the District

By:____________________________________
Authorized Officer

cc: East Bay Municipal Utility District

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APPENDIX G

THE DISTRICT'S GREEN BOND GUIDANCE AND EXPECTED SERIES 2022A GREEN BOND PROJECTS

The District anticipates funding or reimbursing CIP expenditures for the Wastewater System projects identified in the table below using proceeds of the Series 2022A Bonds. These projects were selected using the District's Guidance for Issuing Green Bonds, which was last approved by the District's Board on March 22, 2022. A complete copy of the District's Green Bond Guidance as approved by the District Board on March 22, 2022 is attached hereto.

The District's criteria are presented below in a numbered list for easier reference in the table on the following page.

1. Maintain water quality
2. Improve water use efficiency, including conservation through reduced water loss
3. Improve biodiversity and ecosystem quality
4. Protect against flooding
5. Reduce pollution
6. Improve resilience (adaptation) to climate change
7. Reduce the combustion of fossil fuels
8. Reduce greenhouse gas emissions
9. Implement "reduce, reuse, recycle" practices in preference to raw materials
10. Adhere to sustainable purchasing guidelines

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East Bay Municipal Utility District
Expected Series 2022A Green Bond Projects

Project Name	Short Description	EBMUD Green Bond Criteria	Amount Funded
Digesters	Maintain and upgrade the digestion process at the Main Wastewater Treatment Plant ("MWWTP") to convert sludge from primary and secondary treatment, as well as high strength waste, into biogas and biosolids for beneficial use.	5, 6, 7, 8, 9	$8.6 million
Power Generation and Biogas	The Power Generation Station and biogas system provides a means to utilize biogas produced in the digesters to generate renewable electricity and produce heat for the digesters. Maintaining these aging facilities provides a source of renewable electricity and reduces the need to flare biogas.	5, 6, 7, 8, 9	$1.7 million
Hypochlorite Piping Replacement	Rehabilitate and improve utility systems at the MWWTP, including a multi-phase project to improve and replace hypochlorite piping around the plant. For context, as the final stage of liquid-stream treatment at the MWWTP, treated wastewater is dosed with sodium hypochlorite (or chlorine) and conveyed through the 9,000-foot-long land section of the effluent outfall pipe to the dechlorination facility.	1, 5	$5.4 million
Secondary Treatment – Oxygen Reactors	To rehabilitate and upgrade structures associated with Secondary Treatment, all of which were constructed in the 1970s and are showing their advanced age and evidence of deterioration. The facilities include the Oxygen Production Plant where liquid oxygen is produced, the Oxygen Reactors where oxygen is mixed with the wastewater, and the Secondary Clarifiers. Rehabilitation of the Oxygen Reactors includes concrete resurfacing of interior walls and columns, coating of the roof slabs, strengthening the interior support columns, recoating or replacing sections of piping, and refurbishing the aerator gear boxes.	1, 3, 5	$2.9 million
Secondary Treatment – Secondary Clarifiers	This project is the rehabilitation of the Secondary Clarifiers associated with Secondary Treatment, which includes concrete work, replacement of the clarifier mechanisms, resurfacing or replacing other mechanical components, and replacing the baffles to improve performance.	1, 3, 5	$1.9 million
		Total[(1)]	**$20.4 million**

(1) Totals may exceed the expected project fund deposit and may not add due to rounding.
Source: The District.

The proceeds of the Series 2022A Bonds (exclusive of amounts applied to pay costs of issuance and other costs related to the issuance of the Series 2022 Bonds and refunding of the Refunded Series 2012A Bonds) are to be allocated to costs of the projects identified above. Because proceeds of the Series 2022A Bonds will be applied to reimburse the District for prior expenditures made in connection with the projects identified above, the District does not intend to undertake any further tracking of and reporting on the use of the proceeds of the Series 2022A Bonds. See also "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" in the front part of this Official Statement and "THE WASTEWATER SYSTEM – Capital Improvement Program" in APPENDIX A – "THE EAST BAY MUNICIPAL UTILITY DISTRICT (THE WASTEWATER SYSTEM)" to this Official Statement.

The District's Green Bond Guidance as most recently approved by the Board follows on the next page.

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EAST BAY MUNICIPAL UTILITY DISTRICT

Guidance for Issuing Green Bonds

This Guidance for Issuing Green Bonds is the framework the District will use when issuing bonds labeled as green bonds. As adopted by the District's Board of Directors in Policy 7.05 Sustainability and Resilience, it is the policy of the District to, "Provide reliable, high-quality drinking water and wastewater service through sustainable and resilient planning, design, and construction, operations, maintenance, rehabilitation, and disposal activities that manage long-term economic, environmental, and human resource benefits." Sustainability is defined in Policy 7.05 as, "practices that support environmental, economic, and social needs in a responsible manner to meet the needs of tomorrow. This triple bottom line approach seeks to minimize waste; conserve water, energy, and natural resources; promote long-term economic viability; and promote the safety and well-being of the District's employees, communities, and customers." Resilience is defined as, "the ability to prepare and plan for, absorb, recover from, and adapt to adverse events."

The District's commitment to the triple bottom line (in this instance, long-term economic viability) can be underscored by promoting the development of the green bond market through the responsible use of green bonds to finance its qualifying capital projects. This Guidance offers criteria that the District will use to evaluate projects for green bond funding that demonstrate a meaningful, quantifiable commitment to sustainability and resilience.

Green bonds are part of a broader trend to incorporate environmental, social and governance (ESG) factors into investment decisions. The market for ESG investments continues to evolve and there are multiple proposed standards or frameworks related to ESG investing or sustainable development, including the following:

- Green Bond Principles from the International Capital Market Association
- Sustainable Development Goals from the United Nations
- Climate Bonds Taxonomy from the Climate Bonds Initiative

As of the date of this Guidance, there is no single green bond standard mandated by a regulatory body nor universally accepted by investors. Accordingly, since 2015, the District has implemented its own set of green bond criteria, presented in the first column in the table on the following page. Projects identified as eligible for green bond funding by the District will be anticipated to further one or more of these criteria. Where relevant, the table on the following page also maps the District's criteria to principles, targets or green bond categories identified by the above-referenced frameworks in order to provide additional transparency to investors and the public. The mapping is shown only for additional context and no representation is made that the projects that fall under the District's criteria will necessarily fit the mapped criteria from other frameworks.

In selecting projects for green bond financing, District staff will focus on the projects that best meet the District's criteria and exclude those that appear marginal or that have unresolved sustainability issues.

Offering statements should provide project information and identify the most relevant criteria the project is expected to satisfy. Additionally, if debt is issued to prefund projects, the District will produce annual transparency reports on the use of proceeds of the green bonds. When debt is issued to reimburse the District for existing projects or capital expenses, no further reporting on use of proceeds is necessary. This Guidance can also be used, if appropriate, for refunding bonds, if information on the original projects funded by the bonds is sufficiently detailed for the evaluation criteria to be effectively used.

Board Approval: Board Motion No. 063-22 on March 22, 2022
Supersedes version approved under Board Motion No. 074-15 on April 28, 2015.

<u>EBMUD Green Bond Criteria</u>

and Mapping to Other Frameworks

EBMUD Green Bond Criteria	Green Bond Principles from the International Capital Market Association	Sustainable Development Goals from the United Nations	Climate Bonds Taxonomy from the Climate Bonds Initiative
Maintain water quality	Sustainable water and wastewater management	Target 6.1 - Safe and affordable drinking water	Water treatment [includes wastewater treatment facilities]
Improve water use efficiency, including conservation through reduced water loss	Sustainable water and wastewater management	Target 6.4 – Increase water-use efficiency	Water monitoring; Drought defence
Improve biodiversity and ecosystem quality	Terrestrial and aquatic biodiversity; Environmentally sustainable management of living natural resources and land use	Target 6.6 – Protect and restore water-related ecosystems	Ecological restoration / management
Protect against flooding	Sustainable water and wastewater management	Target 13.1 – Strengthen resilience and adaptive capacity to climate-related hazards	Water monitoring; Flood defence; Water storage
Reduce pollution	Pollution prevention and control	Target 6.3 – Improve water quality	Water treatment [includes wastewater treatment facilities]
Improve resilience (adaptation) to climate change	Climate change adaptation	Target 13.1 – Strengthen resilience and adaptive capacity to climate-related hazards	Water storage
Reduce the combustion of fossil fuels	Energy efficiency; Pollution prevention and control	Target 9.4 – Upgrade infrastructure	Depends on asset or project, e.g. Solar, Bio-Energy, or Transmission & Distribution
Reduce greenhouse gas emissions	Energy efficiency; Pollution prevention and control	Target 9.4 – Upgrade infrastructure	Depends on asset or project, e.g. Solar, Bio-Energy, or Transmission & Distribution
Implement “reduce, reuse, recycle” practices in preference to raw materials	Circular economy adapted products, production technologies and processes	Target 12.5 – Substantially reduce waste generation through prevention, reduction, recycling and reuse	Material Reuse; Material Recycling
Adhere to sustainable purchasing guidelines	Circular economy adapted products, production technologies and processes	Target 12.7 – Promote public procurement practices that are sustainable	N/A

Note: This table references quoted material from the source frameworks and as such, British English spelling and grammar conventions are left unchanged from the source texts.

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EBMUD