

Volley Ball Champions – Mayor Gilbreath presented a Commendation to the Redlands East Valley High School Volley Girls Volley Ball Team for winning the CIF Southern Section Division II Championship for the third year in a row.

CONSENT CALENDAR

Minutes - On motion of Mayor Pro Tem Bean, seconded by Councilmember Gallagher, the City Council unanimously approved the minutes of the regular meeting of December 15, 2009, and the special meetings of December 18, 2009 and December 21, 2009 as submitted.

Waiver and Release of Claims - On motion of Mayor Pro Tem Bean, seconded by Councilmember Gallagher, the City Council unanimously approved the agreement with Walmart Stores, Inc. regarding the California Environmental Quality Act.

Lease Disclosure – On motion of Mayor Pro Tem Bean, seconded by Councilmember Gallagher, the City Council unanimously agreed to receive Mayor Gilbreath's disclosure of her leasehold interest for property located at 104 East State Street.

Library Board of Trustees Reappointment - On motion of Mayor Pro Tem Bean, seconded by Councilmember Gallagher, the City Council unanimously agreed to reappoint William Hardy Jr. to the Library Board of Trustees.

Recreation Advisory Commission Appointment - On motion of Mayor Pro Tem Bean, seconded by Councilmember Gallagher, the City Council unanimously agreed to appoint David C. Baer, II to serve the remainder of an unexpired term ending June 30, 2011.

Release of Claims - On motion of Mayor Pro Tem Bean, seconded by Councilmember Gallagher, the City Council unanimously agreed to approve the "Release of all Claims" settlement in the action filed on the San Bernardino Superior Court entitled Stacy Knox v. City of Redlands William Hoyt and Does 1 to 10 inclusive, Case no. CIVDS 903710.

Release of Claims - On motion of Mayor Pro Tem Bean, seconded by Councilmember Gallagher, the City Council unanimously agreed to approve the "Settlement Agreement and Release of all Claims" between the City of Redlands and Occidental Chemical Corporation.

Recycled Water Improvements - On motion of Mayor Pro Tem Bean, seconded by Councilmember Gallagher, the City Council unanimously agreed to approve the standard agreement amendment with the State Water Resources Control Board relating to recycled water improvements at the Water Treatment Plant.



Linda S. Adams
Secretary for
Environmental Protection

State Water Resources Control Board

Division of Financial Assistance
1001 I Street, Sacramento, California 95814
P.O. Box 944212, Sacramento, California 94244-2120
(916) 341-5700 ♦ FAX (916) 341-5707 ♦ <http://waterboards.ca.gov>



Arnold Schwarzenegger
Governor

March 9, 2010

Mr. Pat Gilbreath
Mayor
City of Redlands
35 Cajon Street
Redlands, CA 92373

Dear Mr. Gilbreath:

CITY OF REDLANDS, AGREEMENT NO. 01-821-550-1, PROJECT NO. C-06-4800-110

Amendment No. 1 to your Finance Agreements was fully executed on March 8, 2010.
Enclosed are copies of the executed Agreements for your files.

If you have any questions, please contact me at (916) 341-5715 or by e-mail at ekawada@waterboards.ca.gov.

Sincerely,

Eva Kawada

Eva Kawada
Program Analyst

Enclosure



☒ CHECK HERE IF ADDITIONAL PAGES ARE ATTACHED 15 pages

AGREEMENT NUMBER 01-821-550-1
PROJECT NUMBER: C-06-4800-110
AMENDMENT NUMBER 1

1. This Agreement is entered into between the State Agency and the Contractor named below:

STATE AGENCY'S NAME

(Hereafter referred to as "SWRCB")

State Water Resources Control Board

CONTRACTOR'S NAME

(Hereafter referred to as "Agency" or "Contractor")

City of Redlands

2. The term of this Agreement is:

April 19, 2002 through November 20, 2024

3. The maximum amount of this Agreement is:

\$ 7,851,084

Seven Million Eight Hundred fifty One Thousand Eight Four Dollars

4. The parties agree to comply with the terms and conditions of the following exhibits which are by this reference made a part of the Agreement:

Changes made in this amendment are shown as: Text additions are displayed in **bold and underline**. Text deletions are displayed as strike through text (i.e., Strike).

Exhibit A – Scope of Work (8 pages attached)

Exhibit B – Budget Detail and Payment Provisions (5 pages attached)

Exhibit I – SRF Payment Schedule (2 pages attached)

All other terms and conditions shall remain the same.

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto.

CONTRACTOR

CONTRACTOR'S NAME (if other than an individual, state whether a corporation, partnership, etc.)

City of Redlands

BY (Authorized Signature)

Pat Gilbreath

DATE SIGNED (Do not type)

January 19, 2010

PRINTED NAME AND TITLE OF PERSON SIGNING

Pat Gilbreath, Mayor

ATTEST:

Sam Irwin

ADDRESS

35 Cajon Street, Redlands, CA 92373

Sam Irwin, City Clerk

STATE OF CALIFORNIA

AGENCY NAME

State Water Resources Control Board

BY (Authorized Signature)

Barbara L. Evoy

DATE SIGNED (Do not type)

3/8/10

PRINTED NAME AND TITLE OF PERSON SIGNING

Barbara L. Evoy, Deputy Director, Division of Financial Assistance

ADDRESS

1001 I Street, Sacramento, CA 95814

**California Department of General
Services Use Only**

Approved as to form by
Office of Chief Counsel

Date: **3/8/10**

Initials: **AW**



Exempt per:

EXHIBIT A — SCOPE OF WORK

SECTION 1. PROJECT DESCRIPTION.

The Project, commonly known as the City of Redlands generally consists of the construction of advanced wastewater treatment facilities at the existing wastewater treatment plant, as more particularly described in the financial assistance application of the Agency and the approved plans and specifications (see Exhibits F and G) for the Project.

SECTION 2. OFFICIAL REPRESENTATIVES.

- (1) The SWRCB Assistance Coordinator shall be the ~~Division Chief~~ **Deputy Director** of the Division of Financial Assistance.
- (2) The SWRCB Assistance Coordinator shall be the SWRCB's representative for administration of the Agreement and shall have authority to make determinations and findings with respect to any controversy arising under or in connection with interpretation of this Agreement.
- (3) The Agency's Authorized Representative shall be the Utilities Director, or his/her designee, who shall administer the Agreement and who shall have full authority to act on behalf of the Agency, including authority to execute disbursement requests. All communications given to the Agency representative shall be as binding as if given to the Agency.
- (4) Either party may change its official representative upon written notice to the other party.

SECTION 3. DEFINITIONS.

"Additional Payments" means the Additional Payments described in Exhibit B Section 2.3(C) of this Agreement.

"Allowance" means an amount based on a percentage of the accepted bid for an eligible project to help defray the planning, design, and construction engineering and administration costs of the Project.

"Authorized Representative" means the Mayor of a City, the Chairperson of the County Board of Supervisors, the Chairperson of the Board of Directors of the Agency, or another duly appointed representative. For all authorized representatives, a certified original copy of the authorizing resolution that designates the authorized representative, by title, must accompany any contract, the first payment request, and any other documents or requests required or allowed under this Agreement.

"Bank" means the California Infrastructure and Economic Development Bank.

"Bonds" means any series of bonds issued by the Bank all or a portion of the proceeds of which may be applied to fund the Project in whole or in part or that are secured in whole or in part by Installment Payments paid hereunder.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor provisions and the regulations of the U.S. Department of the Treasury promulgated thereunder.

"Completion of Construction" means the date, as determined by the Division after consultation with the Agency, that the work of building and erection of the Project is substantially complete.

"CWSRF" means Clean Water State Revolving Fund.

EXHIBIT A — SCOPE OF WORK

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EXHIBIT A — SCOPE OF WORK

reasonable, necessary and allocable by the Agency to the Project under generally accepted accounting principles, plus capitalized interest.

"Project Funds" means funds disbursed by the SWRCB to the Agency for purposes of this Agreement.

"Revenue Program" means a system of charges, fees, or other means of income production adopted by the Agency which provides for recovery of appropriate capital costs of the Project, generates adequate income to reasonably assure repayment of the Obligation under this Agreement, generates adequate income to provide for reasonable operation and maintenance of the Project, and provides adequate income for reasonable future expansion and improvement of the Project.

"Revenues" means, for each Fiscal Year, all gross income and revenue received or receivable by the Agency from the ownership or operation of the System, determined in accordance with generally accepted accounting principles, including all rates, fees and charges (including connection fees and charges) as received by the Agency for the services of the System, and all other income and revenue howsoever derived by the Agency from the ownership or operation of the System or arising from the System, and also including all income from the deposit or investment of any money in the Enterprise Fund or any rate stabilization fund, and any refundable deposits made to establish credit, and advances or contributions in aid of construction.

"Service Charge" means funds paid by the Agency to the Board under this Agreement with each Installment Payment, the amounts of which are set forth as Exhibit I, separate from principal and interest at the rate specified in Exhibit B.

"State" means State of California.

"System" means all wastewater collection, transport, treatment, storage and disposal facilities, including land and easements thereof, owned by the Agency, including the Project, and all other properties, structures or works hereafter acquired and constructed by the Agency and determined to be a part of the System, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired and constructed.

"System Obligations" means all senior, parity and subordinate obligations of the Agency payable from Revenues as identified as of the date of this Agreement in Exhibit J and such additional obligations as may hereafter be issued in accordance with the provisions of such obligations.

SECTION 4. GENERAL AGENCY COMMITMENTS.

The Agency accepts and agrees to comply with all terms, provisions, conditions, and commitments of this Agreement, including all incorporated documents, and to fulfill all assurances, declarations, representations, and commitments made by the Agency in its application, accompanying documents, and communications filed in support of its request for financial assistance.

SECTION 5. COMPLETION OF PROJECT.

The Agency agrees to expeditiously proceed with and complete construction of the Project in substantial accordance with Project plans and specifications approved by the SWRCB.

EXHIBIT A — SCOPE OF WORK

SECTION 6. PROJECT CERTIFICATION.

One year after initiation of operations, the Agency shall certify to the SWRCB whether or not the Project, as of that date, meets applicable design specifications and effluent limitations. If the Agency cannot certify that the Project meets such specifications and limitations at that time, the Agency will, at its own expense and in a timely manner, expeditiously make all needed corrections and perform all additional work necessary to allow affirmative certification for the Project.

Failure to submit an affirmative certification within 15 months, or a corrective action report that meets the above requirements and is satisfactory to the Division within 15 months of the Project Completion date will result in an interest penalty of the lesser of twelve percent (12%) per annum or the highest rate permitted under law being assessed on the outstanding balance due.

SECTION 7. FEDERAL OR STATE ASSISTANCE.

If federal or state funding for Project Costs is made available to the Agency from sources other than the CWSRF, the Agency may retain such funding up to an amount which equals the Agency's local share of Project Costs. To the extent allowed by requirements of other funding sources, any funding received in excess of the Agency's local share, not to exceed the total amount of the CWSRF financing assistance, shall be remitted to the SWRCB to be applied to Installment Payments due hereunder.

SECTION 8. REVENUE PROGRAM.

The Agency agrees to prepare and provide an acceptable final Revenue Program to the Division at the time of ninety percent (90%) disbursement of Project Costs. Further disbursements may be withheld until an acceptable final Revenue Program is submitted. The Agency further agrees to periodically review and modify the Revenue Program as necessary to assure reasonable adequacy of the Revenue Program. The final Revenue Program and all modifications thereof shall be consistent with applicable guidelines and shall be to the reasonable satisfaction of the Division. The Division may review the Agency's records to assure compliance with the approved Revenue Program at any time during the useful life of the Project.

SECTION 9. USER CHARGE SYSTEM.

The Agency shall adopt and maintain in effect a user charge system which at all times complies with the requirements of Section 204(b)(1) of the federal Clean Water Act and applicable federal and state rules, regulations and guidelines.

SECTION 10. OPERATION AND MAINTENANCE; INSURANCE.

The Agency agrees to properly staff, operate and maintain all portions of the Project during its useful life in accordance with all applicable state and federal laws, rules and regulations.

The Agency will procure and maintain or cause to be maintained insurance on the System with responsible insurers, or as part of a reasonable system of self-insurance, in such amounts and against such risks (including damage to or destruction of the System) as are usually covered in connection with systems similar to the System. Such insurance may be maintained by the maintenance of a self-insurance plan so long as any such plan provides for (i) the establishment by the Agency of a separate segregated self-insurance fund funded in an amount determined (initially and on at least an annual basis) by an independent insurance consultant experienced in the field of risk management employing accepted actuarial techniques and (ii) the establishment and maintenance of a claims processing and risk management program.

EXHIBIT A — SCOPE OF WORK

In the event of any damage to or destruction of the System caused by the perils covered by such insurance, the net proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the System. The Agency shall begin such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such net proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the System shall be free and clear of all claims and liens. If such net proceeds are insufficient to enable the Agency to pay all remaining unpaid principal portions of the Installment Payments, the Agency shall provide additional funds to restore or replace the damaged portions of the System.

SECTION 11. USEFUL LIFE OF PROJECT.

For purposes of this Agreement, the parties agree that the useful life of the Project is at least 20 years from and after Project Completion.

SECTION 12. AWARD OF CONSTRUCTION CONTRACTS; NOTIFICATION OF AWARD AND INITIATION OF CONSTRUCTION.

- (A) The Agency agrees to award the prime construction contract within 180 days (six months) after issuance of the Agreement. An extension may be granted by the Division.
- (B) The Agency agrees to promptly notify the Division in writing both of the award of the prime construction contract for the Project and of Initiation of Construction of the Project. The Agency has established November 30, 2004 as the Completion of Construction date. The Agency agrees to make all reasonable efforts to complete construction in substantial conformance with the terms of the contract by this date. Such date shall be binding upon the Agency unless modified in writing by the Division upon a showing of good cause by the Agency. Extension of the Completion of Construction date by the Division shall not be unreasonably withheld.

SECTION 13. CONSTRUCTION ACTIVITIES; NOTIFICATIONS; PROTECTION OF ARCHEOLOGICAL AND HISTORICAL RESOURCES.

- (A) The Agency agrees to promptly notify the Division in writing of:
 - (1) Any substantial change in scope of the Project. The Agency agrees that no substantial change in the scope of the Project will be undertaken until written notice of the proposed change has been provided to the Division and the Division has given written approval for such change;
 - (2) Cessation of all major construction work on the Project where such cessation of work is expected to or does extend for a period of 30 days or more;
 - (3) Any circumstance, combination of circumstances, or condition, which is expected to or does delay Completion of Construction for a period of 90 days or more beyond the estimated date of Completion of Construction previously provided to the Division;
 - (4) Discovery of any potential archeological or historical resource. Should a potential archeological or historical resource be discovered during construction of the Project, the Agency agrees that all work in the area of the find will cease until a qualified archeologist has evaluated the situation and made recommendations regarding preservation of the resource, and the Division has determined what actions should be taken to protect and

EXHIBIT A — SCOPE OF WORK

preserve the resource. The Agency agrees to implement appropriate actions as directed by the Division; and

- (5) Completion of Construction of the Project, and actual Project Completion.

SECTION 14. PROJECT ACCESS.

The Agency agrees to insure that the SWRCB, or any authorized representative thereof, will have suitable access to the Project site at all reasonable times during Project construction and thereafter for the term of the Obligation.

SECTION 15. PROJECT COMPLETION; INITIATION OF OPERATIONS.

Upon Completion of Construction of the Project, the Agency agrees to expeditiously initiate Project operations. The Agency has established September 30, 2004 as the estimated Project Completion date. The Agency agrees to make all reasonable efforts to meet the date so established. Such date shall be binding upon the Agency unless modified in writing by the Division upon a showing of good cause by the Agency. Extension of the Project Completion date by the Division shall not be unreasonably withheld.

SECTION 16. WASTEWATER CAPITAL RESERVE FUND.

The Agency agrees to establish and maintain a Wastewater Capital Reserve Fund (WCRF) for expansion, major repair, or replacement of the wastewater facilities and to maintain the WCRF for the term of the Agreement. The WCRF shall be maintained in compliance with the "Policy for Implementing The State Revolving Fund for Construction of Wastewater Treatment Facilities" in effect at the time the Agreement is signed by the Authorized Representative of the Agency. The Agency agrees to submit a report on WCRF activities and status five (5) years after the date of the final revenue program approval by the Division. Updated WCRF reports will be submitted every five (5) years thereafter until all Installment Payments and Additional Payments hereunder have been fully discharged. Thereafter, the WCRF will no longer be subject to the requirements of this Agreement or the above referenced policy. Certification by legal counsel of unused bonding capability for the wastewater enterprise may be used to offset required cash deposits to the WCRF.

SECTION 17. CONTINUOUS USE OF PROJECT; LEASE OR DISPOSAL OF PROJECT.

The Agency agrees that, except as provided in the Agreement, it will not abandon, substantially discontinue use of, lease, or dispose of the Project or any significant part or portion thereof during the useful life of the Project without prior written approval of the Division. Such approval may be conditioned as determined to be appropriate by the Division, including a condition requiring repayment of all or any portion of all remaining funds covered by this Agreement together with accrued interest and any penalty assessments which may be due.

SECTION 18. REPORTS.

The Agency agrees to expeditiously provide, during construction of the Project and thereafter during the useful life of the Project, such reports, data, and information as may be reasonably required by the Division, including but not limited to material necessary or appropriate for evaluation of the CWSRF Program or to fulfill any reporting requirements of the federal government.

EXHIBIT A — SCOPE OF WORK

SECTION 19. RECORDS.

- (A) Without limitation of the requirement to maintain Project accounts in accordance with generally accepted accounting principles the Agency agrees to:
- (1) Establish an official file for the Project which shall adequately document all significant actions relative to the Project;
 - (2) Establish separate accounts which will adequately and accurately depict all amounts received and expended on the Project, including all assistance funds received under this Agreement;
 - (3) Establish separate accounts which will adequately depict all income received which is attributable to the Project, specifically including any income attributable to assistance funds disbursed under this Agreement;
 - (4) Establish an accounting system which will accurately depict final total costs of the Project, including both direct and indirect costs;
 - (5) Establish such accounts and maintain such records as may be necessary for the State to fulfill federal reporting requirements, including any and all reporting requirements under federal tax statutes or regulations; and
 - (6) If Force Account is used by the Agency for any phase of the Project, other than for planning, design and construction engineering, and administration provided for by allowance, accounts will be established which reasonably document all employee hours charged to the Project and the associated tasks performed by each employee. Indirect Force Account costs may be paid with prior written approval by the Division of the Agency's indirect cost proposal.
- (B) The Agency shall be required to maintain books, records, and other material relative to the Project in accordance with generally accepted accounting standards. The Agency shall also be required to retain such books, records, and other material for each subcontractor who performed work on this project for a minimum of thirty-six years after Project completion. The Agency shall require that such books, records, and other material shall be subject at all reasonable times to inspection, copying, and audit by the SWRCB and by state auditors or any Project Representatives thereof.
- (C) The Agency shall retain its Project records for a minimum of thirty-six years after Project completion and for such longer period as may be required for the State to fulfill federal reporting requirements under federal tax statutes and regulations. All Agency records relative to the Project shall be subject at all reasonable times to inspection, copying, and audit by the SWRCB and state auditors or any Project Representative thereof.

SECTION 20. FINAL PROJECT REPORTS; AUDIT.

- (A) Within 90 days after Project Completion, the Agency agrees to submit to the Division a final Project summary report which briefly describes the Project as completed, its features, estimated capacity, and apparent treatment capability. The report shall note any unusual operational problems that have been encountered and shall indicate whether the Agency expects to be able to certify that the Project meets applicable design specifications and effluent limitations one year after Project Completion.

EXHIBIT A — SCOPE OF WORK

- (B) Within 120 days after Project Completion, the Agency agrees to provide to the Division a final cost summary report on the Project. The summary shall include at a minimum, a statement of:
- (1) Total Project Costs;
 - (2) Total Project Costs which are eligible for financing assistance under this Agreement;
 - (3) The total amount of assistance funds received;
 - (4) The amount of interest earned, if any, on assistance funds before disbursement on account of incurred Project costs. If no interest has been earned, this fact shall be expressly stated.
 - (5) The report shall be accompanied by such other financial information as may be reasonably required by the Division to verify Agency entitlement to financial assistance, to assure program integrity of the CWSRF Program, and to comply with any federal requirements. The report shall be certified as correct by a duly Authorized Representative of the Agency.
- (C) The Division, at its option, may call for an audit of financial information relative to the Project, where the Division determines that an audit is desirable to assure program integrity or where such an audit becomes necessary because of federal requirements. Where such an audit is called for, the audit shall be performed by a certified public accountant independent of the Agency and at the cost of the Agency. The audit shall be in the form required by the Division.
- (D) Audit disallowances will be returned back to the SWRCB.

SECTION 21. NO OBLIGATION OF THE STATE.

Any obligation of the SWRCB herein contained shall not be an obligation, debt or liability of the State and any such obligation shall be payable solely out of the moneys in the CWSRF made available pursuant to this Agreement.

EXHIBIT B — BUDGET DETAIL AND PAYMENT PROVISIONS

SECTION 1. ESTIMATED COST OF PROJECT.

The estimated reasonable cost of the total Project at the time of SWRCB Approval, including associated planning and design costs, is twenty two million one hundred ninety five thousand four hundred forty seven dollars (\$22,195,447).

SECTION 2. ASSISTANCE AMOUNT AND FINANCING PROVISIONS.

Section 2.1. Project Funds; Repayment from Installment Payments.

Subject to the conditions and in accordance with the terms of this Agreement, the SWRCB hereby agrees to provide the Project Funds and the Agency hereby agrees to accept the Project Funds in the maximum principal component, of Seven Million Eight Hundred Fifty One Thousand Eighty Four dollars (\$7,851,084) and to repay the Project Funds in Installment Payments at an interest rate of ~~two one~~ and one half percent (2.5%) **(1.5%)** per annum as set forth in Exhibits B and I attached hereto. **The Agency also agrees to pay a Service Charge at the rate of one percent (1%) per annum as set forth in Exhibits B and I attached hereto.** The Agency agrees that it shall not be entitled to interest earned on un-disbursed project funds. Upon execution of this Agreement, the SWRCB shall encumber an amount equal to the Obligation. The Agency hereby agrees to pay Installment Payments solely from Net Revenues and/or other amounts legally available to the Agency. Interest **and Service Charges** on any funds disbursed to the Agency shall begin to accrue as of the date of each disbursement. **The combined rate on these charges shall be two and five tenths percent (2.5%) per annum as set forth in Exhibits B and I attached hereto.** This rate is based on the sale of State General Obligation Bonds held on April 24, 2003, and is set when the Agreement is certified to the Agency.

Section 2.2. Purchase and Sale of Project.

The Agency hereby sells to the SWRCB and the SWRCB hereby purchases from the Agency the Project. Simultaneously therewith, the Agency hereby purchases from the SWRCB, and the SWRCB hereby sells to the Agency, the Project in accordance with the provisions of this Agreement. All right, title and interest in the Project shall immediately vest in the Agency on the date of execution and delivery of this Agreement without further action on the part of the Agency or the SWRCB.

Section 2.3. Amounts Payable by the Agency.

- (A) Installment Payments. Repayment of the Project Funds, together with all interest accruing thereon, **and payment of the Service Charge** shall be repaid in annual installments commencing on the date that is one year after Completion of Construction, and shall be fully amortized not later than 20 years after Completion of Construction.

The repayment amount **Installment Payment** is based on a standard fully amortized assistance amount with equal annual repayments. The remaining balance is the previous balance, plus the disbursements, plus the accrued interest **and Service Charge** on both, less the repayment. Repayment calculations will be made beginning one year after Completion of Construction and shall be fully amortized not later than 20 years after Completion of Construction. Exhibit I is a SRF Installment Sales Agreement Payment

EXHIBIT B — BUDGET DETAIL AND PAYMENT PROVISIONS

Upon Completion of Construction and submission of necessary reports, the Division will prepare an appropriate SRF Installment Sales Agreement Payment Schedule and supply the same to the Agency. The SRF Installment Sales Agreement Payment Schedule may be amended as necessary to accurately reflect amounts due under this contract. Any amended SRF Installment Sales Agreement Payment Schedule which is necessary will be prepared by the Division and furnished to the Agency.

The Agency agrees to make each installment payment on or before the due date therefor. A ten-day grace period will be allowed. A penalty in the amount of one-tenth of one percent (0.1%) of the amount due will be due for each day of nonpayment. For purposes of penalty assessment, repayment will be deemed to have been made if repayment is deposited in the U.S. Mail within the grace period with postage prepaid and properly addressed. Any penalties assessed will not be added to the assistance amount balance, but will be treated as a separate account and obligation of the Agency. The interest penalty will be assessed from the repayment due date.

The Agency as a whole is obligated to make all payments required by this contract to the SWRCB, notwithstanding any individual default by its constituents or others in the payment to the Agency of fees, charges, taxes, assessments, tolls or other charges ("Charges") levied or imposed by the Agency. The Agency shall provide for the punctual payment to the SWRCB of all amounts which become due under this contract and which are received from constituents or others in the payment to the Agency. In the event of failure, neglect or refusal of any officer of the Agency to levy or cause to be levied any Charge to provide payment by the Agency under this contract, to enforce or to collect such Charge, or to pay over to the SWRCB any money collected on account of such Charge necessary to satisfy any amount due under this contract, the SWRCB may take such action in a court of competent jurisdiction as it deems necessary to compel the performance of all duties relating to the imposition or levying and collection of any of such Charges and the payment of the money collected therefrom to the SWRCB. Action taken pursuant hereto shall not deprive the SWRCB of, or limit the application of, any other remedy provided by law or by this contract.

Attached as Exhibit I is a SRF Installment Sales Agreement Payment Schedule based on the provisions of this section and an estimated disbursement schedule. SRF Installment Sales Agreement Payment Schedule will be revised based on actual disbursements following Completion of Construction.

Each Installment Payment shall be paid by check and in lawful money of the United States of America.

- (B) **Project Costs.** The Agency agrees to pay any and all costs connected with the Project including, without limitation, any and all Project Costs. If the Project Funds are not sufficient to pay the Project Costs in full, the Agency shall nonetheless complete the Project and pay that portion of the Project Costs in excess of available Project Funds, and shall not be entitled to any reimbursement therefor from the SWRCB.
- (C) **Additional Payments.** In addition to the Installment Payments required to be made by the Agency, the Agency shall also pay to the SWRCB the reasonable extraordinary fees and expenses of the SWRCB, and of any assignee of the SWRCB's right, title and interest in and to this Agreement, in connection with this Agreement, including all expenses and fees of accountants, trustees, attorneys, litigation costs, insurance premiums and all other extraordinary costs reasonably incurred by the SWRCB or assignee of the SWRCB.

EXHIBIT B — BUDGET DETAIL AND PAYMENT PROVISIONS

Additional Payments shall be billed to the Agency by the SWRCB from time to time, together with a statement executed by a duly authorized representative of the SWRCB, stating that the amounts billed pursuant to this section have been incurred by the SWRCB or its assignee for one or more of the above items and a copy of the invoice or statement for the amount so incurred or paid. Amounts so billed shall be paid by the Agency within thirty (30) days after receipt of the bill by the Agency.

- (D) The Agency may without penalty prepay all or any portion of the outstanding principal amount of the Obligation provided that the Agency shall also pay at the time of such prepayment all accrued interest on the principal amount prepaid through the date of prepayment.

Section 2.4. Obligation Absolute. The obligation of the Agency to make the Installment Payments and other payments required to be made by it under this Agreement, solely from Net Revenues, is absolute and unconditional, and until such time as the Installment Payments and Additional Payments have been paid in full, the Agency shall not discontinue or suspend any Installment Payments or other payments required to be made by it hereunder when due, whether or not the System or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such Installment Payments and other payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

Section 2.5. Disbursement of Project Funds; Availability of Funds.

- (A) Except as may be otherwise provided in this Agreement, disbursement of Project Funds will be made as follows:

- (1) Upon execution and delivery of this Agreement, the Agency may request immediate disbursement of any incurred planning and design allowance as specified in Exhibit A from the Project Funds through submission to the SWRCB of the Disbursement Request Form 260, or any amendment thereto, duly completed and executed.
- (2) Additional Project Funds will be promptly disbursed to the Agency upon receipt of Disbursement Request Form 260, or any amendment thereto, duly completed and executed by the Agency for incurred costs consistent with this Exhibit.

Disbursement shall not be made more frequently than once a month. The Agency agrees that it will not request disbursement for any Project Cost until such cost has been incurred and is currently due and payable by the Agency, although the actual payment of such cost by the Agency is not required as a condition of disbursement request. Notwithstanding any other provision of this Agreement, no disbursement shall be required at any time or in any manner which is in violation of or in conflict with federal or state laws, rules, or regulations.

- (B) The SWRCB's obligation to disburse Project Funds is contingent upon the availability of sufficient funds to permit the disbursements provided for herein. If sufficient funds are not available for any reason, including but not limited to failure of the federal or State government to appropriate funds necessary for disbursement of Project Funds, the SWRCB shall not be obligated to make any disbursements to the Agency under this

EXHIBIT B — BUDGET DETAIL AND PAYMENT PROVISIONS

Agreement. This provision shall be construed as a condition precedent to the obligation of the SWRCB to make any disbursements under this Agreement. Nothing in this Agreement shall be construed to provide the Agency with a right of priority for disbursement over any other agency. If any disbursements due the Agency under this contract are deferred because sufficient funds are unavailable, such disbursement will be made to the Agency when sufficient funds do become available.

SECTION 3. WITHHOLDING OF DISBURSEMENTS.

Section 3.1. The SWRCB may withhold all or any portion of the funds provided for by this Agreement in the event that:

- (A) The Agency has materially violated, or threatens to materially violate, any term, provision, condition, or commitment of this Agreement;
- (B) The Agency fails to maintain reasonable progress toward completion of the Project; or
- (C) An acceptable Revenue Program is not submitted at the time of 90 percent disbursement of funds provided for by this Agreement.

SECTION 4. PLEDGE AND LIEN OF NET REVENUES; RATES, FEES AND CHARGES; ADDITIONAL PAYMENTS.

Section 4.1. Establishment of Enterprise Fund. In order to carry out its obligation to pay the Installment Payments, Additional Payments and, where applicable, System Obligations, the Agency agrees and covenants that it shall establish and maintain the Enterprise Fund. All Revenues received shall be deposited when and as received in trust in the Enterprise Fund.

Section 4.2. Pledge of Net Revenues. The Net Revenues are hereby pledged and a security interest granted therein in order to secure the payment of Installment Payments and Additional Payments. The Net Revenues in the Enterprise Fund shall be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Agency.

Section 4.3. Application and Purpose of the Enterprise Fund. Subject to the provisions of any outstanding System Obligations, money on deposit in the Enterprise Fund shall be applied and used first, to pay Operations and Maintenance Costs, and thereafter, all amounts due on Installment Payments, Additional Payments and System Obligations due. After making all payments hereinabove required to be made in each Fiscal Year, the Agency may expend in such Fiscal Year any remaining money in the Enterprise Fund for any lawful purpose of the Agency, including payment of subordinate debt.

Section 4.4. Rates, Fees and Charges. The Agency agrees, to the extent permitted by law, to fix, prescribe and collect rates, fees and charges for the System during each Fiscal Year which are reasonable, fair and nondiscriminatory and which will be at least sufficient to yield during each Fiscal Year, Net Revenues equal to the Installment Payments, Additional Payments and debt service on System Obligations for such Fiscal Year. The Agency may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates,

EXHIBIT B — BUDGET DETAIL AND PAYMENT PROVISIONS

fees and charges then in effect unless the Net Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of this section.

Section 4.5. Future Local Debt. All future debt incurred by the Agency shall be on parity with, or subordinate to, the Obligation.

SECTION 5. FINANCIAL MANAGEMENT SYSTEM AND STANDARDS.

The Agency agrees to comply with federal standards for financial management systems. The Agency agrees that, at a minimum, its fiscal control and accounting procedures will be sufficient to permit preparation of reports required by the federal government and tracking of Project funds to a level of expenditure adequate to establish that such funds have not been used in violation of federal or state law or the terms of this Agreement. To the extent applicable, the Agency agrees to be bound by and to comply with, the provisions and requirements of the federal Single Audit Act of 1984 (Pub. L. 98-502) Office of Management and Budget (OMB) Circular No. A-133, and updates or revisions, thereto.

SECTION 6. ACCOUNTING AND AUDITING STANDARDS.

The Agency will maintain separate Project accounts in accordance with generally accepted accounting principles. The contractor shall comply with "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" promulgated by the U.S. General Accounting Office. (40 CFR § 35.3135(l).)

SECTION 7. BUDGET.

Budget costs are contained in the Approval to Award Letter(s) (or engineer's estimates) which is attached hereto and referenced as Exhibit E.

EXHIBIT I
SRF INSTALLMENT SALES AGREEMENT PAYMENT SCHEDULE

See the attached SRF Installment Sales Agreement Payment Schedule dated July 22, 2003 **October 28, 2009**. ~~The final SRF Installment Sales Agreement Payment Schedule will be forwarded to the Agency after all disbursements have been paid and construction of the Project has been completed.~~

**State of California - State Water Resources Control Board
State Revolving Fund Payment Schedule**

Date: 10/28/2009
Agreement Amount: 7,851,084
Interest rate: 1.500%
Service charge rate: 1.000%
Term: 20

Recipient: Redlands, City of
Project No.: C-06-4800-110
Agreement No.: 01821-550-0

| Date | Disbursement/ Payment | No. | Beginning Balance | Draw Amount | Construction Period Interest (CPI) | | Annual Interest Accrued | Principal Paid/Due | Interest Paid/Due | Service Charge Paid/Due | Total Payment | Ending Balance |
|--|--------------------------|------|----------------------|----------------|------------------------------------|-----------------------------|-------------------------------|-----------------------|----------------------|----------------------------|------------------|-------------------|
| | | | | | Amount Accrued | Amt. Trans. to Principal | | | | | | |
| 12-Jan-2004 | Disbursement | 1 | 0.00 | 5,058,070.00 | 0.00 | | | | | | | 5,058,070.00 |
| 10-Feb-2004 | Disbursement | 2 | 5,058,070.00 | 736,660.00 | 9,835.14 | | | | | | | 5,794,730.00 |
| 24-Mar-2004 | Disbursement | 3 | 5,794,730.00 | 969,683.00 | 17,706.12 | | | | | | | 6,764,413.00 |
| 25-May-2004 | Disbursement | 4 | 6,764,413.00 | 1,086,671.00 | 28,654.81 | | | | | | | 7,851,084.00 |
| 30-Jun-2004 | End FY | | 7,851,084.00 | | 19,082.50 | | | | | | | 7,851,084.00 |
| 30-Nov-2004 | Const. Compl. | | 7,851,084.00 | | 81,782.13 | 157,060.69 | | | | | | 8,008,144.69 |
| 30-Nov-2004 | Repayment | 0 | 8,008,144.69 | | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 8,008,144.69 |
| 29-Jun-2005 | Repayment | Pre1 | 8,008,144.69 | | | | 116,229.32 | 2,235,757.19 | 116,229.32 | 0.00 | 2,351,986.51 | 5,772,387.50 |
| 30-Nov-2005 | Repayment | 1 | 5,772,387.50 | | | | 60,529.90 | 304,509.03 | 60,529.90 | 0.00 | 365,038.93 | 5,467,878.47 |
| 30-Nov-2006 | Repayment | 2 | 5,467,878.47 | | | | 136,696.96 | 228,341.97 | 136,696.96 | 0.00 | 365,038.93 | 5,239,536.50 |
| 30-Nov-2007 | Repayment | 3 | 5,239,536.50 | | | | 130,988.41 | 234,050.52 | 130,988.41 | 0.00 | 365,038.93 | 5,005,485.98 |
| 30-Nov-2008 | Repayment | 4 | 5,005,485.98 | | | | 125,137.15 | 239,901.78 | 125,137.15 | 0.00 | 365,038.93 | 4,765,584.20 |
| 30-Nov-2009 | Repayment | 6 | 4,765,584.20 | | | | 71,483.76 | 245,899.33 | 71,483.76 | 47,655.84 | 365,038.93 | 4,519,684.87 |
| 30-Nov-2010 | Repayment | 7 | 4,519,684.87 | | | | 67,795.27 | 252,046.81 | 67,795.27 | 45,196.85 | 365,038.93 | 4,267,638.06 |
| 30-Nov-2011 | Repayment | 8 | 4,267,638.06 | | | | 64,014.57 | 258,347.98 | 64,014.57 | 42,676.38 | 365,038.93 | 4,009,290.08 |
| 30-Nov-2012 | Repayment | 9 | 4,009,290.08 | | | | 60,139.35 | 264,806.68 | 60,139.35 | 40,092.90 | 365,038.93 | 3,744,483.40 |
| 30-Nov-2013 | Repayment | 10 | 3,744,483.40 | | | | 56,167.25 | 271,426.85 | 56,167.25 | 37,444.83 | 365,038.93 | 3,473,056.55 |
| 30-Nov-2014 | Repayment | 11 | 3,473,056.55 | | | | 52,095.85 | 278,212.51 | 52,095.85 | 34,730.57 | 365,038.93 | 3,194,844.04 |
| 30-Nov-2015 | Repayment | 12 | 3,194,844.04 | | | | 47,922.66 | 285,167.83 | 47,922.66 | 31,948.44 | 365,038.93 | 2,909,676.21 |
| 30-Nov-2016 | Repayment | 13 | 2,909,676.21 | | | | 43,645.14 | 292,297.03 | 43,645.14 | 29,096.76 | 365,038.93 | 2,617,379.18 |
| 30-Nov-2017 | Repayment | 14 | 2,617,379.18 | | | | 39,260.69 | 299,604.45 | 39,260.69 | 26,173.79 | 365,038.93 | 2,317,774.73 |
| 30-Nov-2018 | Repayment | 15 | 2,317,774.73 | | | | 34,766.62 | 307,094.56 | 34,766.62 | 23,177.75 | 365,038.93 | 2,010,680.17 |
| 30-Nov-2019 | Repayment | 16 | 2,010,680.17 | | | | 30,160.20 | 314,771.93 | 30,160.20 | 20,106.80 | 365,038.93 | 1,695,908.24 |
| 30-Nov-2020 | Repayment | 17 | 1,695,908.24 | | | | 25,438.62 | 322,641.23 | 25,438.62 | 16,959.08 | 365,038.93 | 1,373,267.01 |
| 30-Nov-2021 | Repayment | 18 | 1,373,267.01 | | | | 20,599.01 | 330,707.25 | 20,599.01 | 13,732.67 | 365,038.93 | 1,042,559.76 |
| 30-Nov-2022 | Repayment | 19 | 1,042,559.76 | | | | 15,638.40 | 338,974.93 | 15,638.40 | 10,425.60 | 365,038.93 | 703,584.83 |
| 30-Nov-2023 | Repayment | 20 | 703,584.83 | | | | 10,553.77 | 347,449.31 | 10,553.77 | 7,035.85 | 365,038.93 | 356,135.52 |
| 30-Nov-2024 | Repayment | 21 | 356,135.52 | | | | 5,342.03 | 356,135.52 | 5,342.03 | 3,561.36 | 365,038.91 | 0.00 |
| | | | | 7,851,084.00 | 157,060.70 | 157,060.69 | 1,214,604.93 | 8,008,144.69 | 1,214,604.93 | 430,015.47 | 9,652,765.09 | |
| Outstanding Disbursement Balance: | | | | 0.00 | | | | | | | | |