

RECEIVED
D.W.R.

JAN 15 2004

SAFE DRINKING
WATER OFFICE

Construction Loan
Contract No. SRF01CX403

STATE OF CALIFORNIA

THE RESOURCES AGENCY
DEPARTMENT OF WATER RESOURCES

FUNDING AGREEMENT
BETWEEN
THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES
AND
CITY OF REDLANDS

PROJECT NUMBERS 3610037-02 AND 3610037-03

FOR A CONSTRUCTION LOAN UNDER THE
SAFE DRINKING WATER STATE REVOLVING FUND LAW OF 1997

TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
1. Purpose of Loan	1
2. Incorporation of Other Documents	2
3. Project Cost.....	2
4. Loan Amount.....	2
5. Supplier's Cost	3
6. Requirements for Disbursement.....	3
7. Special Requirements	3
8. Rate of Interest.....	3
9. Operation and Maintenance of Project.....	3
10. Fiscal Services Agreement.....	4
11. Project Officials and Notices.....	4
12. Enforcement.....	5
13. Miscellaneous Provisions	6

EXHIBIT A
LOAN CONTRACT STANDARD CONDITIONS

<u>Article</u>	<u>Page</u>
A- 1. Definitions.....	8
A- 2. Term of Contract	9
A- 3. Basic Conditions Precedent	9
A- 4. Compliance with Laws, Regulations, and Permit Requirements	10
A- 5. Project Changes.....	10

TABLE OF CONTENTS (continued)

<u>Article</u>	<u>Page</u>
A- 6. Loan Disbursements by State	10
(a) Claims.....	10
(b) Disbursement.....	11
(c) Rejection of Claims.....	11
(d) Correction of Claims	11
(e) Adjustments to Claims	11
(f) Final Claim and Disbursement.....	12
(g) Force Account.....	12
A- 7. Withholding of Loan Disbursements by State and Cancellation of Contract	12
(a) Conditions for Withholding.....	12
(b) Withholding Entire Loan Commitment	13
(c) Withholding Balance of Loan Commitment.....	13
A- 8. Timing of Project	13
A- 9. Supplier's Contracts	13
A-10. Audit and Inspection of Books and Records.....	14
A-11. Statement of Principal Amount of Loan.....	14
(a) Remittance of Unexpected Funds.....	14
(b) Transmission of Statement to Supplier	14
A-12. Interest Payments During Construction.....	15
A-13. Repayment of Principal Amount of Loan and Interest.....	15
(a) Repayment Terms.....	15
(b) Advance Payment Option	15
A-14. Payment Delinquency.....	16
A-15. Accounting and Deposit of Loan Disbursements.....	16
(a) Separate Accounting of Loan Disbursements and Interest; Records.....	16
(b) Disposition of Funds Disbursed	16
(c) Interim and Final Audits	17
A-16. Inspections of Project by State	17
A-17. Prohibition Against Disposal of Project Without State Permission	17
A-18. Nondiscrimination Clause.....	17

TABLE OF CONTENTS (continued)

<u>Article</u>	<u>Page</u>
A-19. Workers' Compensation Clause.....	19
A-20. Successors and Assigns	19
A-21. State to be Held Harmless.....	19
A-22. Remedies Not Exclusive.....	19
A-23. Amendments	19
A-24. Waiver of Rights	19
A-25. Dispute Clause	20
A-26. Performance and Assurances	20
A-27. Default Provisions.....	20
A-28. Drug-Free Workplace Certification	21
A-29. Conflict of Interest-Current and Former State Employees.....	22
(a) Current State Officers and Employees	22
(b) Former State Officers and Employees.....	23
A-30. Additional Insured.....	23
A-31. Prohibited Use of State Funds for Software	24
A-32. Lobbying Disclosure	24
A-33. Single Audit Act	24

EXHIBIT B
LOAN CONTRACT SECURITY REQUIREMENTS

<u>Article</u>	<u>Page</u>
B- 1. No Priority for Additional Loans	25
B- 2. Rates and Charges.....	25
B- 3. Security Interest.....	25

TABLE OF CONTENTS (continued)

<u>Article</u>	<u>Page</u>
B- 4. Reserve Fund	25
B-5. Legal Obligation.....	26

EXHIBIT C
SPECIAL REQUIREMENTS

<u>Article</u>	<u>Page</u>
C- 1. Security	27
C- 2. Additional Requirements	27

EXHIBIT D
COMPLIANCE WITH CROSS-CUTTING FEDERAL AUTHORITIES

<u>Article</u>	<u>Page</u>
D- 1. Compliance with Federal Authorities	28
D- 2. Equal Employment Opportunity Requirements.....	29
D- 3. Participation of Small, Minority and Women Owned Business Enterprises.....	31
D- 4. Procurement Prohibitions	32
D- 5. Debarment and Suspension	32
(a) Instructions for Certification	32
(b) Certification Regarding Debarment, Suspension, Ineligibility and	
Voluntary Exclusion--Lower Tier Covered Transactions	33
D- 6. Uniform Relocation and Real Property Acquisition Act.....	34
D- 7. National Labor Relations Board Certification.....	34

STATE OF CALIFORNIA

THE RESOURCES AGENCY
DEPARTMENT OF WATER RESOURCES

FUNDING AGREEMENT
BETWEEN
STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES
AND
CITY OF REDLANDS

PROJECT NUMBERS 3610037-02 AND 3610037-03

UNDER THE SAFE DRINKING WATER STATE REVOLVING FUND LAW OF 1997

THIS AGREEMENT, is entered into by and between the State of California Department of Water Resources, acting by and on behalf of the State of California Department of Health Services, herein referred to as the "State", and City of Redlands, a public agency, in the County of San Bernardino, State of California, duly organized, existing, and acting pursuant to the laws thereof, herein referred to as the "Supplier", which parties do hereby agree as follows:

SECTION 1. PURPOSE OF LOAN

This Agreement constitutes a loan made by the State to the Supplier under the provisions of California Safe Drinking Water State Revolving Fund Law of 1997, Part 12, Chapter 4.5, of Division 104 of Health and Safety Code (Section 116760 and following). The purpose of the loan is to assist in financing construction of a project which will enable the Supplier to meet safe drinking water standards established pursuant to Part 12, Chapter 4 (commencing with Section 116270), of Division 104 of

the Health and Safety Code and California Code of Regulations, Title 22, herein referred to as the "Project". Loan funds may be used only for such eligible project costs as are approved by the State Department of Health Services.

This Agreement also constitutes a promissory note for Supplier's repayment of the loan amount.

Supplier is solely responsible for the design, construction, operation and maintenance of the Project; and for all persons or entities engaged in such work, including but not limited to subcontractors, suppliers, and providers of services. Review or approval of plans, specifications, bid documents or other construction documents by the State is solely for the purpose of proper administration of the loan funds by the State and shall not be deemed to relieve or restrict the Supplier's responsibility.

SECTION 2. INCORPORATION OF OTHER DOCUMENTS

This Agreement incorporates by this reference Exhibit A, "Loan Contract Standard Conditions" herein referred to as "Standard Conditions", Exhibit B, "Loan Contract Security Requirements" herein referred to as "Security Requirements", Exhibit C, "Special Requirements", Exhibit D, "Compliance with Cross-cutting Federal Authorities", the Supplier's "Application For Construction Funds", project plans and specifications as submitted to and approved by the State Department of Health Services; and any attachments thereto.

The Supplier accepts and agrees to comply with all terms, provisions, conditions, and commitments of this Agreement, including all incorporated documents and exhibits thereto, and to fulfill all assurances, declarations, representations, and statements made by the Supplier in its application, documents, amendments, and communications filed in support of its request for Safe Drinking Water State Revolving Fund financing, including but not limited to any and all plans and specifications submitted to and approved by the State Department of Health Services.

SECTION 3. PROJECT COST

Supplier represents that the total cost of the Project is estimated to be \$7,355,000 of which the State agrees that \$7,355,000 is eligible for Safe Drinking Water State Revolving Fund financing.

SECTION 4. LOAN AMOUNT

Pursuant to the Safe Drinking Water State Revolving Fund Law of 1997, its applicable rules and regulations, and subject to the availability of funds, the State will lend to the Supplier in accordance with the terms of this Agreement an amount not to exceed \$7,355,000.

For valuable consideration, Supplier agrees to pay the State of California the entire principal amount disbursed under the terms and conditions of this Agreement together with interest, delinquent interest and other fees and costs due thereon in accordance with terms and conditions of this Agreement. Supplier's promise to pay as set forth in this paragraph, shall survive termination of this Agreement for any reason including but not limited to operation of law.

SECTION 5. SUPPLIER'S COST

The Supplier agrees to fund the difference between the estimate of the Project Cost (Section 3) and the Loan Amount (Section 4). The Supplier's Cost for this Project is estimated to be \$0, herein referred to as the "Supplier's Cost". Unless otherwise set forth in Exhibit C to this Agreement, "Special Requirements", such Supplier's Cost shall be expended prior to the expenditure of State loan funds unless such Supplier's Cost is funded by other State or Federal Agencies, in which case funds shall be drawn on a pro-rata basis.

SECTION 6. REQUIREMENTS FOR DISBURSEMENT

By March 1, 2004, the Supplier shall satisfy all conditions precedent to the disbursement of funds under this Agreement, including Basic Conditions Precedent as set forth in Article A-3 of the Standard Conditions, and the requirements for a Fiscal Agent as set forth in Section 10, and certification of disclosure requirements of the Lobbying Disclosure Act as set forth in Article A-32. Failure by Supplier to satisfy said conditions and requirements by this date may, at the option of the State, result in cancellation of this Agreement under Article A-7 of the Standard Conditions.

SECTION 7. SPECIAL REQUIREMENTS

Supplier shall satisfy the special requirements set forth in Exhibit C. Failure by Supplier to satisfy timely the special requirements may, at the option of the State, result in cancellation of this Agreement under Article A-7 of the Standard Conditions, or declaration that the Supplier is in default pursuant to Article A-27.

SECTION 8. RATE OF INTEREST

The rate of interest to be paid by the Supplier on all amounts disbursed under this Agreement shall be 2.34 percent per annum of the unpaid balance of the loan. Interest on any loan funds disbursed to the Supplier shall begin to accrue as of the date of each disbursement.

SECTION 9. OPERATION AND MAINTENANCE OF PROJECT

Upon project completion and for a period of 20 years, which is the reasonably expected life of the Project, the Supplier shall, as further consideration of this loan, commence and continue operation of the Project; shall cause the Project to be

operated in an efficient and economical manner; shall provide for the making of all repairs, renewals, and replacements necessary for the effective operation of the Project; and shall cause the Project to be maintained in as good of condition as upon its construction, ordinary and reasonable wear and depreciation excepted. Failure by the Supplier to operate and maintain the Project in accordance with this provision may, at the option of the State, be considered a material breach of contract and may be treated as a default under Article A-27.

SECTION 10. FISCAL SERVICES AGREEMENT

The Supplier shall execute a Fiscal Services Agreement (DWR form 4280) with a Fiscal Agent. A Fiscal Agent shall be retained until the principal amount of the loan and interest, have been paid in full.

The Supplier shall open a special account with the Fiscal Agent into which sufficient funds shall be maintained for servicing the loan as provided in Article B-4 of the Security Requirements. Funds from this account shall be used only for payment of principal and/or interest on the loan when due, or any delinquencies thereon, until the loan is repaid in full.

Once the State approves a Fiscal Services Agreement, the Supplier shall not amend said Fiscal Services Agreement, close the special account, or retain a new Fiscal Agent without ninety (90) days prior written notice to the State and receipt of prior written approval of a new or amended Fiscal Services Agreement by the State.

A City or County may employ the services of its controller or treasurer as Fiscal Agent. Any other public agency may employ the services of its County controller or treasurer as Fiscal Agent.

The State shall have no obligation to disburse funds until the Fiscal Agent has been engaged and the Agreement between the Supplier and the Fiscal Agent has been approved by the State.

SECTION 11. PROJECT OFFICIALS AND NOTICES

The State Contract Manager shall be the Chief, Division of Fiscal Services of the Department of Water Resources.

The State Contract Manager shall be the State's representative for administration of this Agreement, and shall have authority to make recommendations and findings with respect to each controversy arising under or in connection with this Agreement, including but not limited to, the interpretation, performance, or payment for work performed under this Agreement. All such recommendations and findings shall be communicated to the Chief, Division of Drinking Water and Environmental Management of the Department of Health Services, and disputes shall be resolved in accordance with Article A-25.

The Supplier's Contract Manager shall be **Gary G. Phelps, Municipal Utilities Director**. Supplier's Contract Manager shall be the Supplier's representative for administration of this Agreement. All communications given to the Contract Manager shall be deemed given to the Supplier and shall be binding on the Supplier.

Either party may change its Contract Manager upon written notice to the other party.

Notices required to be given in writing by the Supplier under this Agreement shall be sent to:

State of California
Department of Water Resources
Safe Drinking Water Office, Room 804
Attention: Program Manager
Post Office Box 942836
Sacramento, CA 94236-0001

Notices required to be given in writing by the State under this Agreement shall be sent to:

Gary G. Phelps, Municipal Utilities Director
City of Redlands
Municipal Utilities Department
35 Cajon Street, Suite 15A
Post Office Box 3005
Redlands, CA 92373

A change of address for delivery of notice may be made by either party by written notice of such change of address to the other party.

All written notices that are required either expressly or by implications to be given by one party to the other under this Agreement shall be signed for the State by its Contract Manager and for the Supplier by its Contract Manager. Except as otherwise expressly required by this Agreement, all such notices shall be deemed to have been given if delivered personally or if enclosed in a properly addressed postage-prepaid envelope and deposited in a United States Post Office for delivery by registered or certified mail.

SECTION 12. ENFORCEMENT

Any enforcement action, arising out of or relating to this Agreement, initiated by the State, may be initiated by Department of Health Services or Department of Water Resources or their authorized representatives.

SECTION 13. MISCELLANEOUS PROVISIONS

ATTORNEY FEES

In the event either party commences an action or proceeding concerning the subject matter of this Agreement, the prevailing party in such action or proceeding shall be entitled to recover reasonable attorney fees incurred therein.

YEAR 2000 COMPLIANCE

The Supplier represents and warrants fault-free performance in processing of date and date-related data (including but not limited to calculating, comparing, and sequencing) by all hardware, software, and firmware products delivered and used under this Agreement, individually and in combination, upon installation. Fault-free includes the manipulation of this data with dates prior to, through and beyond January 1, 2000, and shall be transparent to the user.

SEVERABILITY

If any provision of this Agreement is held invalid or unenforceable by any court of final jurisdiction, it is the intent of the parties that all other provisions of this Agreement be construed to remain fully valid, enforceable, and binding on the parties.

GOVERNING LAW

This Agreement is governed by and shall be interpreted in accordance with the laws of the State of California.

CHILD SUPPORT COMPLIANCE ACT

For any Agreement in excess of \$100,000 the Supplier and its contractor(s) shall acknowledge in accordance therewith, that:

(a) The Supplier and contractor(s) recognize the importance of child and family support obligations and shall fully comply with all applicable State and Federal Laws relating to child and family support enforcement, including, but not limited to, disclosure of information and compliance with earnings assignment orders, as provided in Part 5, Chapter 8 (commencing with Section 5200), of Division 9 of the Family Code; and

(b) The Supplier and contractor(s), to the best of their knowledge, are fully complying with the earnings assignment orders of all employees and are providing the names of all new employees to the New Hire Registry maintained by the California Employment Development Department.

FEDERAL FINANCIAL ASSISTANCE

Supplier acknowledges that the source of funds disbursed to Supplier by State under this Agreement includes federal financial assistance, and Supplier agrees to comply with all applicable Cross-cutting Federal Authorities including those listed in Exhibit D to this Agreement, and provisions of the Single Audit Act as set forth in the Federal Office of Management and Budget (OMB) Circular A-133.

LEGAL CAPACITY

Supplier hereby warrants and represents that it is a legal entity in good standing, and that it has the authority to enter into this Agreement and to incur the indebtedness described herein.

The Supplier shall notify the State as promptly as feasible of any proposed change in the Supplier's ownership, organization, legal form or service area.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on

JAN 30 2004

Approved as to Legal Form
and Sufficiency:

By [Signature]
Chief Counsel *Coyne*
Department of Water Resources

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

By [Signature]
Chief
Division of Fiscal Services
P. O. Box 942836
Sacramento, CA 94236-0001

City of Redlands

Supplier

By [Signature]
Signature

Susan Pepler

Print Name

Mayor

Title

P.O. Box 3005

Address

Redlands, CA 92373

Attest: [Signature]
Lorrie Poyzer, City Clerk

EXHIBIT A

STATE OF CALIFORNIA
THE RESOURCES AGENCY
DEPARTMENT OF WATER RESOURCES

LOAN CONTRACT STANDARD CONDITIONS

ARTICLE A-1. DEFINITIONS

Whenever in this Contract the following terms are used, their meaning shall be as follows unless the context clearly requires otherwise:

Agreement or Contract--The Funding Agreement to which this Loan Contract Standard Conditions is appended.

Days--Calendar days unless otherwise expressly indicated.

Month--Calendar month unless otherwise expressly indicated.

Year--Calendar year unless otherwise expressly indicated.

Cross-cutting Federal Authorities--Federal laws and Executive Orders that apply in federal financial assistance programs, or to projects and activities receiving federal financial assistance, regardless of whether the statute authorizing the assistance makes them applicable. They are sometimes referred to as "cross-cutters".

Eligible Project Costs--Those project costs which are eligible for funding under applicable State and Federal law.

Fiscal Agent--A bank, savings and loan, or any other financial institution or entity approved by the State, to which funds for the repayment of this loan are deposited, for the purpose of disbursing repayments of the loan to the State according to the repayment schedule referred to in Article A-13.

Force Account--The use of Supplier's own employees or equipment, for planning, preliminary engineering, design, construction or construction related activities on the Project.

Principal Amount of the Loan--The total amount disbursed to the Supplier under the Contract less any amount of such total amount disbursed that may have been repaid or remitted to the State by the Supplier.

Public Water System or Public Water Supply System--A system for the provision to the public of water for human consumption, as defined in Part 12, Chapter 4 (commencing with Section 116270), of Division 104 of the Health and Safety Code, as it may be amended.

Repayment Term--The period of time between the Project Completion Date and the date the principal amount of the loan is repaid in full. The repayment term of this loan is specified in Article A-13.

ARTICLE A-2. TERM OF CONTRACT

Subject to the provisions of Article A-7, this Contract shall become effective on the date of its execution and shall remain in effect until the principal amount of the loan, all interest thereon, and any other sums of money due to the State under this Contract, have been paid in full or until the expiration of the period of time required for operation and maintenance of the Project, as set forth in Section 9 of this Contract, whichever shall occur last.

ARTICLE A-3. BASIC CONDITIONS PRECEDENT

The State shall have no obligation to disburse funds under this Contract unless and until:

(a) The Supplier has provided satisfactory documentation of the action taken by its governing body authorizing it to borrow funds and to enter into this Contract, and designating a representative to execute this Contract and to sign a claim for disbursement of funds.

(b) The Supplier has provided satisfactory documentation showing that it has dedicated a source of revenue for repayment of the principal amount of the loan plus interest.

(c) The Supplier has satisfied the security provisions of Article B-3.

(d) The Supplier has provided detailed information concerning the account established for deposit of loan funds received from the State. Supplier shall account for loan funds in accordance with Article A-15.

(e) The Supplier has engaged the services of a Fiscal Agent by executing a Fiscal Services Agreement (DWR form 4280) and has executed a Security Agreement (DWR form 4279), and Supplier has established all accounts required by said agreements.

(f) The Supplier has provided detailed information concerning the account

established to collect funds to repay the loan before the funds are transferred to the Fiscal Agent.

(g) The Supplier has submitted an initial budget of eligible project costs approved by the State Department of Health Services on a form provided by the Department of Water Resources.

(h) The Supplier has provided the certification and disclosure for compliance with the Lobbying Disclosure Act pursuant to Article A-32.

ARTICLE A-4. COMPLIANCE WITH LAWS, REGULATIONS, AND PERMIT REQUIREMENTS

The Supplier shall at all times comply with, and require its contractors or subcontractors to comply with, all applicable federal and state laws, rules and regulations, permits, and all applicable local ordinances, specifically including, but not limited to, environmental, procurement and safety laws, rules, regulations, permits, and ordinances.

ARTICLE A-5. PROJECT CHANGES

The Project shall be constructed in accordance with the plans and specifications as approved by the State on July 30, 2003. The Supplier shall not make any changes in the Project, or issue any change orders to a contractor which would affect the treatment process, increase the capacity of any project component, cause a significant change in the location of any project component, or affect the timely completion of the Project, without receiving prior written approval from the State.

Supplier may request a one-time increase in the total funding provided in this Contract. Such request shall be based upon the final accepted construction bids and shall be submitted to the State within sixty (60) days of the award of the final construction contract. Such request may be granted or denied at the sole discretion of the State.

ARTICLE A-6. LOAN DISBURSEMENTS BY STATE

(a) Claims

Supplier shall request disbursement by submitting to the State a claim(s) for incurred eligible project costs. A claim for funds shall be submitted no more than once a month and the Supplier shall provide the following information:

- (1) A statement of the incurred eligible project costs for work performed in constructing the Project during the period identified in the particular claim;

- (2) A claim for incurred eligible project costs that have been incurred for the Project during the period identified in the particular claim, including, but not limited to, legal, engineering, and administrative fees associated with the Project;

(3) Said information shall be submitted on forms provided by the State.

(b) Disbursement

Following the review and approval of a claim by the State, the State will disburse to the Supplier an approved amount, subject to the availability of funds. Any and all funds disbursed to the Supplier under this Contract, and any and all interest earned by the Supplier on such funds, shall be used solely to pay eligible project costs.

(c) Rejection of Claims

A claim may be rejected by the State if:

- (1) It is submitted without signature;
- (2) It is submitted under signature of a person other than the Supplier's duly authorized representative;
- (3) Supplier fails to timely submit a final claim within the time period specified in Article A-6(f).

The State will notify the Supplier of any claim so rejected, and the reasons therefore.

(d) Correction of Claims

A claim containing a mathematical error will be corrected by the State, after telephone notification to the Supplier, and will thereafter be treated as if submitted in the corrected amount. The State will confirm correction of the error, to the Supplier, in writing.

(e) Adjustments to Claims

If, upon review of a claim, the State determines that any portion or portions of the costs claimed:

- (1) Are ineligible to be financed by the Safe Drinking Water State Revolving Fund under Federal or State law, or the terms of this Contract, or

(2) Do not constitute costs associated with the Project as approved by the State Department of Health Services for financing with the proceeds of the subject loan, under the terms of this Contract;

the State will then notify the Supplier of its determination by certified or registered mail. The Supplier shall, within thirty (30) days of the date of receipt of such notice, submit additional documentation or evidence to the State substantiating the eligibility or approval of such costs. The State will adjust the pending claim by the amount of the ineligible or unapproved cost unless and until such time as the Supplier timely submits additional documentation or evidence to cause the State to reverse its determination with respect to any such costs. The Supplier may resubmit any costs subsequently approved on a succeeding claim.

(f) Final Claim and Disbursement

Not later than six (6) months from the Project Completion Date, as set forth in Article A-8, the Supplier shall submit a final claim. With the final claim, the Supplier shall provide: (1) a statement of full written disclosure of all sources and amounts of funds contributed to the Project; (2) a certification by the Supplier's Contract Manager that the data disclosed is true and correct; (3) proof of a Recorded Notice of Completion; (4) and a fully executed "Contractor's Release" acknowledging submission of the final claim to the State and certifying the approximate percentage amount, if any of recycled materials used in the performance of this Contract, (DHS form 2352), a copy of which is attached hereto, as Attachment 1, and incorporated herein by this reference. "Supplier" shall be substituted for and in place of "Contractor" on the face of said form.

Commencement of repayment of loan principal and interest pursuant to Article A-13 may be required prior to the final disbursement of funds.

(g) Force Account

If the Supplier is using the services of its own employees, the Supplier shall establish accounts and maintain records which reasonably document all employee hours and costs charged to the Project and the associated tasks performed by each employee.

ARTICLE A-7. WITHHOLDING OF LOAN DISBURSEMENTS BY STATE AND
CANCELLATION OF CONTRACT

(a) Conditions for Withholding

If the State determines that the Project is not being carried out substantially in accordance with the provisions of this Contract or that the Supplier has failed in any other respect to comply with the terms and conditions of this Contract, the State shall give written notice of such failure to comply. If the Supplier does not remedy any such

failure to the State's satisfaction within ten (10) calendar days of receipt of such notice, the State may withhold from the Supplier all or any portion of the loan commitment and take any other action that it deems necessary to protect its interests, including but not limited to declaring Supplier in default as set forth in Article A-27, or canceling this Contract pursuant to paragraph (b) of this Article A-7.

(b) Withholding Entire Loan Commitment

If the State determines to withhold the entire loan commitment from Supplier pursuant to Subdivision (a) of this Article A-7, notice of such a determination shall constitute a notice of cancellation of this Contract, and this Contract shall no longer be binding on any party hereto. Said Notice of Cancellation shall be sent to Supplier by certified or registered mail, and shall be effective upon receipt.

(c) Withholding Balance of Loan Commitment

Where a portion of the loan commitment has been disbursed to the Supplier and the State notifies the Supplier in writing, via certified or registered mail, that it has decided to withhold the balance of the loan commitment from the Supplier, pursuant to Subdivision (a) of this Article A-7, the loan portion that has been disbursed to Supplier shall thereafter be repaid forthwith to the State with interest as directed by the State. Refusal of the Supplier to so repay may, at the option of the State, be considered a material breach of contract and may be treated as a default under Article A-27.

ARTICLE A-8. TIMING OF PROJECT

The Supplier shall certify to the State Department of Health Services that the Project is complete and ready for final inspection. The State Department of Health Services will conduct a final inspection and certify that the Project is complete prior to the facility being placed into operation. The date of such certification shall be the Project Completion Date for purposes of this Contract.

Supplier agrees to proceed expeditiously, and shall meet a Project Completion Date of not later than **April 1, 2005**. Supplier's failure to meet said Project Completion Date may, at the option of the State, be considered a material breach of contract and may be treated as a default under Article A-27.

ARTICLE A-9. SUPPLIER'S CONTRACTS

Supplier shall be solely responsible for resolution of any and all disputes arising out of or related to Supplier's contracts for construction of the Project, including but not limited to bid disputes and payment disputes with Supplier's contractors and sub-contractors and shall provide appropriate releases (as set forth in California Civil Code Title 15) as may be requested by the State.

ARTICLE A-10. AUDIT AND INSPECTION OF BOOKS AND RECORDS

Pursuant to Government Code Section 8546.7 the contracting parties shall be subject to the examination and audit of the State or any agent thereof, and the State Auditor. Parties are also subject to examination and audit of the U.S. Environmental Protection Agency, the Comptroller General of the United States, and Office of the Inspector General, for a period of three (3) years after final payment under this Contract with respect to all matters connected with the performance of this Contract, including, but not limited to, the cost of administering this Contract. If any litigation, claim, negotiations, audit or other action is commenced before the expiration of said three (3) year period, all records must be retained until such action is resolved, or until the end of said three (3) year period whichever shall later occur. All records of the Supplier relating to funding received pursuant to this Agreement shall be preserved for this purpose for at least three (3) years after final repayment of the loan.

During regular office hours, each of the parties hereto and their duly authorized representatives shall have the right to inspect and to make copies of any books, records, or reports of either party pertaining to this Contract or matters related hereto. Each of the parties hereto shall maintain and shall make available at all times for such inspection accurate records of all its costs, disbursements, and receipts with respect to its activities under this Contract. Failure or refusal by Supplier to comply with this provision shall be considered a substantial failure to comply with this Contract, and the State may declare the Supplier in default as set forth in Article A-27, withhold disbursements to the Supplier or take any other action it deems necessary to protect its interests.

ARTICLE A-11. STATEMENT OF PRINCIPAL AMOUNT OF LOAN

(a) Remittance of Unexpended Funds

The Supplier agrees that, within a period of thirty (30) days from the final disbursement of loan funds from the State, the Supplier shall remit to the State any unexpended funds that were disbursed to the Supplier under this Contract and were not utilized to pay eligible project costs incurred.

Unexpended funds remitted to the State shall not constitute repayment of any part of the loan, but shall be deemed to be a return to the State of part of the funds disbursed and a reduction in the total amount loaned to the Supplier pursuant to this Contract.

(b) Transmission of Statement to Supplier

Within sixty (60) days after final disbursement of funds, the State shall transmit to the Supplier a written statement setting forth the principal amount of the loan.

ARTICLE A-12. INTEREST PAYMENTS DURING CONSTRUCTION

During construction, the Supplier shall pay interest to the State at the rate specified in Section 8 of this Contract on the amounts disbursed. Interest on the amounts disbursed shall not be deferred.

The State will invoice the Supplier semiannually for interest accrued during the Project construction period. Interest on each disbursement shall be calculated using the fraction $x/365$ times the interest rate of 2.34 percent as specified in Section 8, where x is the number of calendar days remaining in the semiannual period from the date on which the disbursement was made. Interest accrued during the construction period is due and payable within thirty (30) days of the date of the invoice.

ARTICLE A-13. REPAYMENT OF PRINCIPAL AMOUNT OF LOAN AND INTEREST

(a) Repayment Terms

The Supplier shall make semiannual payments to the State until the principal amount of the loan is repaid in full. The State will invoice the Supplier semiannually for principal and any interest payments. Such invoices will include a statement of the outstanding principal amount of the loan, the amount of the payment which constitutes principal to be paid, and the amount of the payment which constitutes interest if any, to be paid. Supplier shall make level semiannual payments based on a standard semiannual payment loan amortization method to be determined by the State. The standard amortization method shall incorporate the outstanding loan principal as determined by Article A-11, the loan repayment term specified herein, and the loan rate of interest, as specified in Section 8 of this Contract.

Loan principal and interest payments shall be due and payable within thirty (30) days from the date of the invoice. Principal and interest payments shall commence no later than one (1) year from the Project Completion Date. All such payments shall be made on a semiannual basis on January 1 and July 1 of each year. The first semiannual principal and interest payment for this loan is projected to be due January 1, 2006. The remaining payments shall be made semiannually thereafter until the principal amount of the loan is repaid in full. The final semiannual payment shall be in an amount equal to the then unpaid portion of the principal amount of the loan, plus any remaining unpaid accrued interest. Interest on the principal shall not be deferred.

Unless earlier payment is required by the terms of this Contract, the entire amount of the loan, principal, interest, delinquent interest, and any other charges or fees shall be due and payable 20 years from the Project Completion Date, as set forth in Article A-8.

(b) Advance Payment Option

Supplier may make advance payment against principal without penalty, provided

that any such advance payment shall be applied first to interest then owed and then to principal, and provided further, that any such payment shall not relieve the Supplier of its obligations to make payments in the amount and at the time specified in Subdivision (a) of this Article A-13 until the principal amount of the loan is repaid in full. Any advance payment must be coordinated in advance with the Department of Health Services Accounting Office prior to the making of any such payment to ensure proper credit to Suppliers account.

ARTICLE A-14. PAYMENT DELINQUENCY

Any payment of principal and/or interest required to be paid by the Supplier to the State pursuant to this Contract which remains unpaid after it becomes due and payable shall be delinquent. Delinquent interest charges shall be in addition to any other charges or payments owing the State from Supplier and shall accrue at the rate of one tenth of one percent (.1%) per day, on the amount of such delinquent payment, for each day it remains unpaid past the tenth (10th) day after the date payment was due. Any such delinquent interest assessed will not be added to the loan balance but will be treated as a separate account and obligation of the Supplier. Delinquent interest shall accrue on the total payment amount from the due date of payment through the date payment is made. Any payment by Supplier under terms of this Contract is deemed to have been made when it is received by the State.

ARTICLE A-15. ACCOUNTING AND DEPOSIT OF LOAN DISBURSEMENTS

(a) Separate Accounting of Loan Disbursements and Interest; Records

The Supplier shall account for the funds disbursed pursuant to this Contract separately from all other Supplier's funds. The Supplier shall maintain accounting procedures that are in accordance with Generally Accepted Accounting Principles. The Supplier shall keep complete and accurate records of all receipts, disbursements, and interest earned on expenditures of such funds. Invoices must be maintained for a period of at least three (3) years. All other records must be maintained for the term of the loan.

The Supplier shall require its agents, contractors and subcontractors to maintain books, records, and other documents pertinent to their work in accordance with Generally Accepted Accounting Principles. Records are subject to inspection by the State at any and all reasonable times.

(b) Disposition of Funds Disbursed

In addition to specific requirements set forth in this Contract, all funds disbursed pursuant to this Contract shall be deposited, administered, and accounted for pursuant to all provisions of law applicable to the Supplier.

(c) Interim and Final Audits

The State reserves the right to conduct an audit at any time between the execution of this Contract and the completion of the Project. After completion of the Project, the State may require the Supplier to conduct a final audit, at the Supplier's expense, such audit to be conducted by and a report prepared by an independent Certified Public Accountant.

Failure or refusal by Supplier to comply with these provisions shall be considered a substantial failure to comply with this Contract, and the State may elect to pursue any remedies included but not limited to those provided in Article A-7.

ARTICLE A-16. INSPECTIONS OF PROJECT BY STATE

The State shall have the right but not the duty to inspect the work being performed on this Project at any and all reasonable times during the term of the Contract. This right shall extend to any subcontracts, and Supplier shall include provisions ensuring such access in all its contracts or subcontracts related to the Project.

ARTICLE A-17. PROHIBITION AGAINST DISPOSAL OF PROJECT WITHOUT STATE PERMISSION

During the term of this Contract:

(a) The Supplier shall not sell, abandon, lease, transfer, exchange, mortgage, hypothecate, or encumber in any manner whatsoever all or any portion of any real or other property necessarily connected or used in conjunction with the Project, or with the Supplier's service of domestic water, without prior written consent of the State. The State may require as a condition of such consent, that Supplier's proceeds from any such disposition of any real or personal property be transferred to the State to be applied to Supplier's indebtedness under this Contract.

(b) Supplier shall not take any action, including but not limited to actions relating to user fees, charges and assessments, that could adversely affect the ability of the Supplier to make timely payments or to otherwise meet its obligations under this Contract, without prior written consent of the State.

ARTICLE A-18. NONDISCRIMINATION CLAUSE

During the performance of this Contract, the Supplier, its contractors and subcontractors, shall not deny the contract's benefits to any person on the basis of religion, color, ethnic group identification, sex, age, physical or mental disability, nor shall they discriminate unlawfully against any employee or applicant for employment because of race, religion, color, national origin, ancestry, physical handicap, mental disability, medical condition, marital status, age, or sex. Supplier, its contractors and

subcontractors shall ensure that the evaluation and treatment of employees and applicants for employment are free of such discrimination.

Supplier, its contractors and subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code, Section 12900 et seq.), the regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285.0 et seq.), the provisions of Article 9.5, Chapter 1, Part 1, Division 3, Title 2 of the Government Code (Government Code, Sections 11135-11139.5) and the regulations or standards adopted by the awarding State Agency to implement such article.

By signing this Contract, Supplier assures the State that it shall comply with the requirements of the Americans with Disabilities Act (ADA) of 1990, (42 U.S.C. 12101 et seq.), which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA; the Civil Rights Act of 1964, as amended, 42 U.S.C. 2000d (1988) et seq.; Section 504 of the Rehabilitation Act of 1973, as amended, 29 U.S.C. 794 (1989); Federal Water Pollution Control Act Amendments of 1972, Pub.L. No. 92-500, 86 Stat 816; and the Age Discrimination Act of 1975, as amended, 42 U.S.C. 6102 (1994); together with all applicable regulations and guidelines adopted to implement same. Said group of laws and requirements are collectively referred to in this Contract as the "anti-discrimination laws".

Supplier agrees to collect and maintain information to show compliance with the "anti-discrimination laws" including a list of discrimination complaints, reports of any compliance reviews conducted by other agencies descriptions of any pending discrimination-based lawsuits and data on the racial, ethnic, national origin, sex and handicap characteristics of the population it serves.

Supplier agrees to cooperate with State in all manner necessary to permit State to adequately report to the United States Environmental Protection Agency on Supplier's compliance with the "anti-discrimination laws".

Supplier, its contractors and subcontractors shall give written notice of their obligations under this Article to labor organizations with which they have a collective bargaining or other agreement.

The Supplier's signature on this Contract shall constitute a certification under the penalty of perjury under the laws of the State of California that the Supplier has, unless exempted, complied with the nondiscrimination program requirements of Government Code, Section 12990, and Title 2, California Code of Regulations, Section 8103.

Supplier shall include the nondiscrimination and compliance provisions of this Article A-18 in all contracts and subcontracts to perform work on the Project.

ARTICLE A-19. WORKERS' COMPENSATION CLAUSE

Supplier affirms that it is aware of the provisions of Section 3700 of the California Labor Code, which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and Supplier affirms that it will comply with such provisions before commencing the performance of the work under this Contract and will make its contractors and subcontractors aware of this provision.

ARTICLE A-20. SUCCESSORS AND ASSIGNS

This Contract and all of its provisions shall inure to the benefit of, apply to, and bind the heirs, successors and assigns of the parties hereto. No assignment or transfer of this Contract or any part hereof by Supplier shall be valid unless and until it is approved by the State and made subject to such reasonable terms and conditions as the State may impose.

ARTICLE A-21. STATE TO BE HELD HARMLESS

Supplier shall indemnify, hold harmless, protect and defend State and its officers, employees, agents and representatives from loss, suits, actions or claims brought for, or on account of violation of laws, ordinances, rules, or regulations, or injury, damage, or loss, including death, caused by acts or omissions of Supplier, its employees, contractors, or agents; or in any way arising from, or related to the Project.

ARTICLE A-22. REMEDIES NOT EXCLUSIVE

The use by either party of any remedy specified herein for the enforcement of this Contract is not exclusive, and shall not deprive the party using such remedy of, or limit the application of, any other remedy provided by law.

ARTICLE A-23. AMENDMENTS

This Contract may be amended only by mutual written agreement signed by the parties hereto. Requests by the Supplier for amendments must be in writing stating the amendment request and the reason for the request.

ARTICLE A-24. WAIVER OF RIGHTS

It is the intention of the parties hereto that from time to time either party may waive any of its rights under this Contract unless contrary to law. Any waiver by either party hereto of rights arising in connection with this Contract shall not be deemed to be a waiver with respect to any other rights or matters.

ARTICLE A-25. DISPUTE CLAUSE

Any dispute that Supplier may have regarding the performance of this Contract including, but not limited to, claims for additional disbursements of funds or extension of time, shall be submitted to the State's Contract Manager identified in Section 11 of this Contract. The State Contract Manager may make findings and recommendations and shall transmit a copy of the claim and any such findings and recommendations to the Department of Health Services, Chief, Division of Drinking Water and Environmental Management, who shall make a decision, which shall be reduced to writing and transmitted to Supplier by certified or registered mail. Said decision shall be final and conclusive.

ARTICLE A-26. PERFORMANCE AND ASSURANCES

Supplier agrees to faithfully and expeditiously perform or cause to be performed all Project work as described in the final plans and specifications as submitted and approved, or as later amended and approved by the State under this Contract and to apply funds received only to eligible project costs and to operate and maintain the Project in accordance with applicable provisions of the law.

ARTICLE A-27. DEFAULT PROVISIONS

(a) Supplier will be in default under this Contract if any of the following occur:

(1) Supplier's failure to pay any installment when due, or the entire indebtedness to the State when due at the designated due date;

(2) Supplier's failure to make any remittances required by this Contract;

(3) Supplier's substantial breach of this Contract, or any supplement or amendment to it, or any other agreement between Supplier and the State evidencing or securing Supplier's obligations;

(4) Supplier's making of any false warranty, representation, or statement with respect to this Contract or the Project;

(5) Loss, theft, or damages to any collateral given as security under this Contract;

(6) Seizure of, or levy on any collateral given as security under this Contract; and/or

(7) Dissolution or cessation of operations by Supplier, termination of Supplier's existence, insolvency of Supplier, or filing of a voluntary or involuntary bankruptcy petition by or on behalf of Supplier.

(b) When an event of default occurs, the State shall give Supplier notice of default. Supplier shall have ten (10) calendar days from the date of such notice to cure the default. If the Supplier fails to timely cure the default to the satisfaction of the State, the State may do any or all of the following:

(1) Declare the Supplier's obligations immediately due and payable, with or without demand or notice to Supplier, which Supplier expressly waives;

(2) Terminate any obligation of the State to make further disbursements to Supplier under this Contract;

(3) Exercise all rights and remedies available to a secured creditor after default, including, but not limited to, the rights and remedies of secured creditors under the California Uniform Commercial Code;

(4) Perform any of Supplier's obligations under this Contract for Supplier's account; and/or

(5) Take any other action it deems necessary to protect its interests.

(c) Supplier agrees that any remedy provided in this Contract is in addition to and not in derogation of any other legal or equitable remedy available to the State as a result of a breach of contract by the Supplier, whether such breach occurs before or after completion of the Project.

(d) No waiver by the State of any breach or default will be a waiver of any other breach or default.

ARTICLE A-28. DRUG-FREE WORKPLACE CERTIFICATION

By signing this Contract, the Supplier hereby certifies under penalty of perjury under the laws of the State of California that the Supplier will comply with the requirements of the Drug-Free Workplace Act of 1990 (Government Code Section 8350 et seq.) and will provide a drug-free workplace by taking the following actions:

(a) Publish a statement notifying employees that unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited and specifying actions to be taken against employees for violations.

(b) Establish a Drug-Free Awareness program to inform employees about all of the following:

(1) The dangers of drug abuse in the workplace;

(2) The person's or organization's policy of maintaining a drug-free workplace;

(3) Any available counseling, rehabilitation and employee assistance programs;

(4) Penalties that may be imposed upon employees for drug abuse violations.

(c) Every employee who works on the Project:

(1) Will receive a copy of the Supplier's drug-free policy statement;

(2) Will agree to abide by terms of the Supplier's statement as a condition of employment on the Project.

This Contract may be subject to suspension of payments or termination, or both, and the Supplier may be subject to debarment if the department determines that: (1) the Supplier has made a false certification, or (2) the Supplier violates the certification by failing to carry out the requirements of this Article A-28.

ARTICLE A-29. CONFLICT OF INTEREST-CURRENT AND FORMER STATE EMPLOYEES

(a) Current State Officers and Employees:

(1) Supplier shall not utilize in the performance of this Contract any state officer or employee in the state civil service or other appointed state official unless the employment, activity, or enterprise is required as a condition of the officer or employee's regular state employment. Employee in the state civil service is defined to be any person legally holding a permanent or intermittent position in the state civil service.

(2) If any state officer or employee is utilized or employed in the performance of this Contract, Supplier shall first obtain written verification from the State that the employment, activity, or enterprise is required as a condition of the officer's, employee's, or official's regular state employment and shall keep said verification on file for three (3) years after the termination of this Contract.

(3) Supplier may not accept occasional work from any currently employed state officer, employee, or official.

(4) If Supplier accepts volunteer work from any currently employed state officer, employee, or official, Supplier may not reimburse, or otherwise pay or compensate, such person for expenses incurred, including, without limitation, travel expenses, per diem, or the like, in connection with volunteer work on behalf of Supplier.

(5) Supplier shall not employ any state officers, employees, or officials who are on paid or unpaid leave of absence from their regular state employment.

(6) Supplier or anyone having a financial interest in the Contract may not become a state officer, employee, or official during the term of this Contract. Supplier shall notify each of its employees, and any other person having a financial interest in this Contract that it is unlawful under the Public Contract Code for such person to become a state officer, employee, or official during the term of this Contract unless any relationship with the Supplier giving rise to a financial interest, as an employee or otherwise, is first terminated.

(7) Occasional or one-time reimbursement of a state employee's travel expenses is not acceptable.

(b) Former State Officers and Employees:

(1) Supplier shall not utilize in the performance of this Contract any formerly employed person of any state agency or department that was employed under the state civil service, or otherwise appointed to serve in the State Government, if that person was engaged in any negotiations, transactions, planning, arrangement, or any part of the decision making process relevant to the Contract while employed in any capacity by any state agency or department. This prohibition shall apply for a two (2) year period beginning on the date the person left state employment.

(2) Supplier shall not utilize within twelve (12) months from the date of separation of services, a former employee of the contracting state agency or department if that former employee was employed in a policy making position in the same general subject area as the proposed contract within the twelve (12) month period prior to the employee leaving state service.

(c) If Supplier violates any provision of subparts (a) or (b) above, such action by Supplier shall render this Contract void, unless the violation is technical or nonsubstantive.

ARTICLE A-30. ADDITIONAL INSURED

Supplier agrees that for any policy of general liability insurance concerning the construction of the Project, it will cause, and will require its contractors and subcontractors to cause, a certificate of insurance to be issued showing the State, its officers, agents, employees, and servants as additional insured; and shall provide the State with a copy of all such certificates prior to the commencement of construction of the Project.

ARTICLE A-31. PROHIBITED USE OF STATE FUNDS FOR SOFTWARE

Contractor (Supplier) certifies that it has appropriate systems and controls in place to ensure that state funds will not be used in the performance of this contract for the acquisition, operation or maintenance of computer software in violation of copyright laws.

ARTICLE A-32. LOBBYING DISCLOSURE

If pursuant to the terms of this Contract, Supplier is to receive loan proceeds in excess of \$150,000 and/or grant proceeds in excess of \$100,000, Supplier shall comply with the certification and disclosure requirements of the Lobbying Disclosure Act, Public Law 101-121, 103 Stat 750 (1989), 31 U.S.C. 1352 (1998). Such certification and disclosure shall be completed prior to the disbursement of any funds.

ARTICLE A-33. SINGLE AUDIT ACT

If Supplier receives \$300,000 or more in federal awards in a year from any source, including funds disbursed under this Contract, Supplier agrees to comply with all requirements of the Office of Management and Budget Circular A-133 issued pursuant to the Single Audit Act of 1984.

EXHIBIT B

LOAN CONTRACT SECURITY REQUIREMENTS

ARTICLE B-1. NO PRIORITY FOR ADDITIONAL LOANS

The Supplier agrees to incur no additional indebtedness having any priority in payment of principal or interest or pledge of revenues or facilities or equipment in existence at the date of this Contract or to be constructed or obtained under terms of this Contract without obtaining prior written consent of the State, which consent shall not be unreasonably withheld.

ARTICLE B-2. RATES AND CHARGES

The Supplier agrees that it will levy and collect assessments or user charges as may be necessary to operate and to maintain the Project and to meet the payments of the loan when the same becomes due; and if for any reason, gross revenues prove insufficient to make payments due pursuant to this Contract, Supplier agrees to raise sufficient funds through increased user charges or assessments or any other legal means available to it to meet loan payments and to operate and to maintain the Project.

ARTICLE B-3. SECURITY INTEREST

The Supplier pledges to repay the entire principal amount disbursed under this Contract, together with all interest thereon, as set forth in this Contract, from the Water Fund water revenues, and Supplier hereby pledges said revenues and Fund as collateral to secure said repayment. Supplier hereby represents and agrees that said pledge shall create and constitute a lien and security interest in said collateral in accordance with the provisions of the California Government Code, Section 5450, et seq.

The Supplier shall execute any and all documents required by the State to create and maintain its security interest, including any amendments, modifications, and/or new or revised documents as may be reasonably necessary to maintain, preserve, and protect the State's security.

ARTICLE B-4. RESERVE FUND

The Supplier agrees to provide for the accumulation of necessary reserves in accordance with Section 10 of this Contract to assure that funds will be available to make the semiannual payments when due. At a minimum, a reserve of two (2) semiannual payments shall be accumulated during the first 10 years of the repayment period and thereafter be maintained at that level. The reserve fund shall be maintained and administered by the Fiscal Agent.

ARTICLE B-5. LEGAL OBLIGATION

The obligation of Supplier to make payments under this Contract is payable from water revenues and the **Water Fund** or other sources of legally available funds. This Contract and payment due thereunder, shall not in any way be construed to be a debt of the **City of Redlands** in contravention of any applicable constitutional or statutory limitations or requirements concerning the creation of indebtedness nor will anything contained in this Contract constitute a pledge or obligation of general revenues, funds, or moneys for which the **City of Redlands** is obligated to levy or pledge any form of taxation.

EXHIBIT C
SPECIAL REQUIREMENTS

ARTICLE C-1. SECURITY

The Supplier grants to the State a security interest in all of the following:

1. Pledge of revenue as more fully described in Article B-3.
2. Accounts as described in and/or required by Article A-3 (d), (e) and (f).

The State reserves the right to require, and Supplier agrees to provide, security in additional real and/or personal property which State determines is reasonably necessary to secure payment of Supplier's obligations under this Contract.

ARTICLE C-2. ADDITIONAL DHS REQUIREMENTS

1. Supplier is required to implement the mitigation measures prepared for the project in compliance with the California Environmental Quality Act (CEQA) and the State and Agency CEQA Guidelines.
2. Supplier shall submit a Revised Emergency Operations Manual to the San Bernardino District Office of the Department of Health Services no later than January 1, 2004.
3. Supplier shall submit a revised Tate Surface Water Treatment Plant Operations Plan to the Department of Health Services San Bernardino District Office within no later than October 1, 2005.
4. Supplier shall notify the Department of Health Services San Bernardino District Office upon commencement of construction of each of the following stages:
 - a. the settled water pipeline;
 - b. the clarifier basin retrofits; and
 - c. the filter basin retrofits.
5. The City shall notify the Department of Health Services San Bernardino District Office when construction is 100 percent complete.

EXHIBIT D

COMPLIANCE WITH
CROSS-CUTTING FEDERAL AUTHORITIES

ARTICLE D-1. COMPLIANCE WITH FEDERAL AUTHORITIES

a) By its signature to the Agreement to which this Exhibit "D" is attached, Supplier agrees to comply with all applicable state and federal laws and authorities, including but not limited to the federal authorities listed below; and to the fullest extent required by law, shall require compliance with said authorities by its contractors and subcontractors on the Project.

- Procurement Prohibitions under Section 306 of the Clean Air Act and Section 508 of the Clean Water Act, including Executive Order 11738, Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans
- Uniform Relocation and Real Property Acquisition Policies Act, Pub. L. 91-646, as amended
- Debarment and Suspension, Executive Order 12549
- Age Discrimination Act of 1975, Pub. L. 94-135
- Title VI of the Civil Rights Act of 1964, Pub. L. 88-352 (2)
- Section 13 of the Federal Water Pollution Control Act Amendments of 1972, Pub. L. 92-500 (the Clean Water Act)
- Section 504 of the Rehabilitation Act of 1973, Pub. L. 93-112 (including Executive Orders 11914 and 11250)
- Equal Employment Opportunity, Executive Order 11246
- Women's and Minority Business Enterprise, Executive Orders 11625, 12138 and 12432
- Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590

(b) In partial compliance with the above list of Cross-cutting Federal Authorities, Supplier agrees to take certain actions specifically set forth in the following Articles:

ARTICLE D-2. EQUAL EMPLOYMENT OPPORTUNITY REQUIREMENTS

Supplier agrees that it shall be deemed to be a contractor and shall comply with the following requirements in that role:

(a) During the performance of this Contract, the contractor agrees as follows:

(1) The contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, national origin, physical or mental handicap or age. The contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, national origin, physical or mental handicap, or age. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and career development opportunities and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places available to employees and applicants for employment, notices to be provided by the Federal Government setting forth the provisions of the Equal Opportunity Clause and the Rehabilitation Act of 1973. Such notices shall state the contractor's obligation under the law to take affirmative action to employ and advance in employment qualified applicants without discrimination based on their race, color, religion, sex, national origin, physical or mental handicap, or age, and the rights of applicants and employees.

(2) The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, national origin, physical or mental handicap, or age.

(3) The contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding of notice, to be provided by the Federal Government advising the labor union or workers' representative of the contractor's commitments under the Equal Opportunities Clause, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(4) The contractor will comply with all provisions of the Rehabilitation Act of 1973 and of the Federal Executive Order No. 11246 as amended, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(5) The contractor will furnish all information and reports required by Federal Executive Order No. 11246 as amended and the Rehabilitation Act of 1973, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the

Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(6) In the event of the contractor's noncompliance with the requirements of this Equal Opportunity Clause or with the nondiscrimination clauses of this Contract or with any of such rules, regulations, or orders, this Contract may be cancelled, terminated, or suspended in whole or in part and the contractor may be declared ineligible for further federal contracts in accordance with procedures authorized in Federal Executive Order No. 11246 as amended, and such other sanctions may be imposed and remedies invoked as provided in Federal Executive Order No. 11246 as amended, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(7) The contractor will include the provisions of paragraphs (1) through (7) [of this Article] in every contract, subcontract or purchase order related to this Contract unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Federal Executive Order No. 11246 as amended, or section 503 of the Rehabilitation Act of 1973, so that such provisions will be binding upon each contractor, subcontractor or vendor. The contractor will take such action with respect to any subcontract or purchase order as may be directed by the Secretary of Labor or the Director of Federal Compliance Programs or the State may direct as a means of enforcing such provisions including sanctions for noncompliance, provided, however, that in the event the contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction, the contractor may request in writing to the State, which, in turn, may request the United States to enter into such litigation to protect the interests of the United States and the State.

Each contractor shall file, and shall cause each of his subcontractors to file, Compliance Reports with the contracting agency or the Secretary of Labor as may be directed. Compliance Reports shall be filed within such times and shall contain such information as to the practices, policies, programs, and employment policies, programs, and employment statistics of the contractor and each subcontractor, and shall be in such form, as the Secretary of Labor may prescribe.

Bidders or prospective contractors or subcontractors may be required to state whether they have participated in any previous contract subject to the provisions of Federal Executive Order 11246, as amended, or any preceding similar Executive order, and in that event to submit, on behalf of themselves and their proposed subcontractors, Compliance Reports prior to or as an initial part of their bid or negotiation of a contract.

(b) In addition, if the Project is to be constructed in a geographical area that has been designated by the Office of Federal Contract Compliance for special treatment, Supplier agrees that it will undertake, and will require its contractors and subcontractors to undertake affirmative action programs in accordance with regulations and other directives promulgated by that Office.

ARTICLE D-3. PARTICIPATION OF SMALL, MINORITY AND WOMEN OWNED BUSINESS ENTERPRISES

(a) Supplier acknowledges that Executive Orders 11625, 12138, and 12432 are applicable to this Contract, and that the United States Environmental Agency (EPA) requires that recipients of financial assistance, including assistance under the SDWSRF, comply with the requirements of said orders. In compliance with such requirements, State has negotiated "Fair Share Objectives" with EPA for participation of small, minority and women owned businesses in all procurement activity undertaken with funds made available to Supplier under this Contract. Said "Fair Share Objectives" are set forth in Attachment 4 in this Exhibit D and incorporated herein by this reference. Supplier agrees that it will cooperate with and assist State in achieving said "fair share objectives" and will exercise good faith efforts to achieve such minimum participation of small, minority and women owned businesses, and in particular agrees that in the selection of any and all contractors for the procurement of equipment, supplies, construction, and services related to the project, it, at a minimum, has or will undertake the following affirmative steps:

(1) Include small, minority and women owned businesses on solicitation lists;

(2) Assure that small, minority and women owned businesses are solicited whenever they are potential sources;

(3) Divide total requirements, when economically feasible, into small tasks or quantities to permit maximum participation by small, minority and women owned businesses;

(4) Establish delivery schedules, when the requirements of the work permit, which will encourage participation by small, minority and women owned businesses;

(5) Use the services of the Small Business Administration and the Office of Minority Business Enterprise of the U.S. Department of Commerce, as appropriate; and

(6) If any contractor awards subagreements, require the contractor to take the affirmative steps in paragraphs (1) through (5) of this paragraph.

(b) Supplier agrees that prior to the award of any contract for the procurement of equipment, supplies, construction, or services related to the Project, it has or will review the efforts of such contractor to include small, women, and minority owned businesses and will assure State that such contractor has complied with the requirements of this Article D-3. A form for providing said assurance will be provided by State in a form substantially similar to that of Attachment 2 to this Exhibit D.

(c) Supplier agrees that it shall report, and shall require its contractors to report, on its good faith efforts and achievements in meeting the State's "fair share objectives" and other requirements of this Article. Supplier shall provide such reports to State within fifteen (15) days after the end of each Federal fiscal quarter during which Supplier, or any of its contractors, have awarded any contracts for procurement of equipment, supplies, construction or services related to the Project. Supplier shall report said information on a form to be provided by State, which form will be substantially similar to the form attached hereto as Attachment 3 to this Exhibit D.

ARTICLE D-4. PROCUREMENT PROHIBITIONS

By its signature on this Contract, Supplier certifies that it will not procure goods, services, or materials from any entity, or otherwise utilize any facility for the construction of the Project, if such entity or facility is listed on the USEPA's List of Violating Facilities, and Supplier further certifies it will comply with the provisions of Executive Order No. 11738, 3 C.F.R. 799 (1973), Section 306 of the Clean Air Act 42 U.S.C. 7606 (1994) and Section 508 of the Clean Water Act 33 U.S.C. 1368 (1982).

ARTICLE D-5. DEBARMENT AND SUSPENSION

Supplier agrees that for purposes of the following Subparts (a) and (b), Supplier is the "prospective lower tier participant", and this Funding Agreement is the "proposal".

(a) Instructions for Certification

(1) By signing and submitting this proposal, the prospective lower tier participant is providing the certification set out below.

(2) The certification in this clause is a material representation of fact upon which reliance was placed when this transaction was entered into. If it is later determined that the prospective lower tier participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government the department or agency with which this transaction originated may pursue available remedies, including suspension and/or debarment.

(3) The prospective lower tier participant shall provide immediate written notice to the person to which this proposal is submitted if at any time the prospective lower tier participant learns that its certification was erroneous when submitted or had become erroneous by reason of changed circumstances.

(4) The terms covered transaction, debarred, suspended, ineligible, lower tier covered transaction, participant, person, primary covered transaction, principal, proposal, and voluntarily excluded, as used in this clause, have the meaning set out in the Definitions and Coverage sections of rules implementing Executive Order 12549. You may contact the person to which this proposal is submitted for assistance in obtaining a copy of those regulations.

(5) The prospective lower tier participant agrees by submitting this proposal that, should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transaction with a person who is proposed for debarment under 48 CFR part 9, Subpart 9.4, debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the department or agency with which this transaction originated.

(6) The prospective lower tier participant further agrees by submitting this proposal that it will include this clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion-Lower Tier Covered Transaction", without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.

(7) A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not proposed for debarment under 48 CFR part 9, Subpart 9.4, debarred, suspended, ineligible, or voluntarily excluded from covered transactions, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines the eligibility of its principals. Each participant may, but is not required to, check the List of Parties Excluded from Federal Procurement and Nonprocurement Programs.

(8) Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.

(9) Except for transactions authorized under paragraph (5) of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is proposed for debarment under 48 CFR part 9, Subpart 9.4, suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension and/or debarment.

(b) Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion--Lower Tier Covered Transactions

(1) The prospective lower tier participant certifies, by submission of this proposal, that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department or agency.

(2) Where the prospective lower tier participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

ARTICLE D-6. UNIFORM RELOCATION AND REAL PROPERTY ACQUISITION ACT

Supplier will comply, or has already complied with the requirements of Titles II and III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Public Law 91-646, 42 U.S.C. 4655), as amended, which provide for fair and equitable treatment of persons displaced or whose property is acquired as a result of Federal or federally assisted programs. These requirements apply to all interests in real property acquired for project purposes regardless of Federal participation in purchase.

ARTICLE D-7. NATIONAL LABOR RELATIONS BOARD CERTIFICATION

(Not applicable if Supplier is a public entity.)

Supplier by signing this Contract, does swear under penalty of perjury that no more than one final unappealable finding of contempt of court by a federal court has been issued against the Supplier within the immediate preceding two-year period because of the Supplier's failure to comply with an order of a federal court which orders the Supplier to comply with an order of the National Labor Relations Board.

FOR INFORMATION ONLY

CITY OF REDLANDS

Project # 3610037-02

3610037-03

CONTRACT # SRF01CX403

Loan Amount: \$7,355,000

Principal: \$7,355,000

Interest: 2.3400%

Remaining Term: 20 Years

Semiannual Payments

Payment No. & Date	Semiannual Payment	Interest Due	Principal Due	Principal Balance	Principal Reduction Factor
				\$7,355,000.00	
1 January 1, 2006	\$231,299.96	\$86,053.50	\$145,246.46	\$7,209,753.54	1.974799%
2 July 1, 2006	\$231,299.96	\$84,354.12	\$146,945.84	\$7,062,807.70	1.997904%
3 January 1, 2007	\$231,299.96	\$82,634.85	\$148,665.11	\$6,914,142.59	2.021280%
4 July 1, 2007	\$231,299.96	\$80,895.47	\$150,404.49	\$6,763,738.10	2.044928%
5 January 1, 2008	\$231,299.96	\$79,135.74	\$152,164.22	\$6,611,573.88	2.068854%
6 July 1, 2008	\$231,299.96	\$77,355.41	\$153,944.55	\$6,457,629.33	2.093060%
7 January 1, 2009	\$231,299.96	\$75,554.26	\$155,745.70	\$6,301,883.63	2.117549%
8 July 1, 2009	\$231,299.96	\$73,732.04	\$157,567.92	\$6,144,315.71	2.142324%
9 January 1, 2010	\$231,299.96	\$71,888.49	\$159,411.47	\$5,984,904.24	2.167389%
10 July 1, 2010	\$231,299.96	\$70,023.38	\$161,276.58	\$5,823,627.66	2.192747%
11 January 1, 2011	\$231,299.96	\$68,136.44	\$163,163.52	\$5,660,464.14	2.218403%
12 July 1, 2011	\$231,299.96	\$66,227.43	\$165,072.53	\$5,495,391.61	2.244358%
13 January 1, 2012	\$231,299.96	\$64,296.08	\$167,003.88	\$5,328,387.73	2.270617%
14 July 1, 2012	\$231,299.96	\$62,342.14	\$168,957.82	\$5,159,429.91	2.297183%
15 January 1, 2013	\$231,299.96	\$60,365.33	\$170,934.63	\$4,988,495.28	2.324060%
16 July 1, 2013	\$231,299.96	\$58,365.39	\$172,934.57	\$4,815,560.71	2.351252%
17 January 1, 2014	\$231,299.96	\$56,342.06	\$174,957.90	\$4,640,602.81	2.378761%
18 July 1, 2014	\$231,299.96	\$54,295.05	\$177,004.91	\$4,463,597.90	2.406593%
19 January 1, 2015	\$231,299.96	\$52,224.10	\$179,075.86	\$4,284,522.04	2.434750%
20 July 1, 2015	\$231,299.96	\$50,128.91	\$181,171.05	\$4,103,350.99	2.463237%
21 January 1, 2016	\$231,299.96	\$48,009.21	\$183,290.75	\$3,920,060.24	2.492057%
22 July 1, 2016	\$231,299.96	\$45,864.70	\$185,435.26	\$3,734,624.98	2.521213%
23 January 1, 2017	\$231,299.96	\$43,695.11	\$187,604.85	\$3,547,020.13	2.550712%
24 July 1, 2017	\$231,299.96	\$41,500.14	\$189,799.82	\$3,357,220.31	2.580555%
25 January 1, 2018	\$231,299.96	\$39,279.48	\$192,020.48	\$3,165,199.83	2.610748%
26 July 1, 2018	\$231,299.96	\$37,032.84	\$194,267.12	\$2,970,932.71	2.641293%
27 January 1, 2019	\$231,299.96	\$34,759.91	\$196,540.05	\$2,774,392.66	2.672196%
28 July 1, 2019	\$231,299.96	\$32,460.39	\$198,839.57	\$2,575,553.09	2.703461%
29 January 1, 2020	\$231,299.96	\$30,133.97	\$201,165.99	\$2,374,387.10	2.735092%
30 July 1, 2020	\$231,299.96	\$27,780.33	\$203,519.63	\$2,170,867.47	2.767092%
31 January 1, 2021	\$231,299.96	\$25,399.15	\$205,900.81	\$1,964,966.66	2.799468%
32 July 1, 2021	\$231,299.96	\$22,990.11	\$208,309.85	\$1,756,656.81	2.832220%
33 January 1, 2022	\$231,299.96	\$20,552.88	\$210,747.08	\$1,545,909.73	2.865358%
34 July 1, 2022	\$231,299.96	\$18,087.14	\$213,212.82	\$1,332,696.91	2.898883%
35 January 1, 2023	\$231,299.96	\$15,592.55	\$215,707.41	\$1,116,989.50	2.932800%
36 July 1, 2023	\$231,299.96	\$13,068.78	\$218,231.18	\$898,758.32	2.967113%
37 January 1, 2024	\$231,299.96	\$10,515.47	\$220,784.49	\$677,973.83	3.001829%
38 July 1, 2024	\$231,299.96	\$7,932.29	\$223,367.67	\$454,606.16	3.036949%
39 January 1, 2025	\$231,299.96	\$5,318.89	\$225,981.07	\$228,625.09	3.072483%
40 July 1, 2025	\$231,299.96	\$2,674.91	\$228,625.05	\$0.04	3.108430%
	\$9,251,998.40	\$1,896,998.44	\$7,354,999.96		100.00%

