

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 17, 2024

NEW ISSUE – BOOK-ENTRY ONLY

RATING: S&P: “AA-”
See “RATING” herein

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to certain qualifications described herein, under existing law, the portion of the Installment Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Certificates may be subject to the corporate alternative minimum tax. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS.”

\$9,500,000*

**SANITARY DISTRICT NO. 2 OF MARIN COUNTY,
A SUBSIDIARY DISTRICT TO THE TOWN OF CORTE MADERA
WASTEWATER REVENUE CERTIFICATES OF PARTICIPATION,
SERIES 2024**

Dated: Date of Delivery

Due: May 1, as shown below

The captioned certificates (the “Certificates”) evidence direct, undivided and fractional interests of the Owners thereof in certain installment payments (the “Installment Payments”) to be made by the Sanitary District No. 2 of Marin County, A Subsidiary District to the Town of Corte Madera (the “District”) pursuant to an Installment Sale Agreement (the “Installment Sale Agreement”), between the District and the Public Property Financing Corporation of California (the “Corporation”). The Corporation, for the benefit of the Owners of the Certificates, has assigned, among other things, its right to receive Installment Payments to The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”) under that certain Trust Agreement, dated as of October 1, 2024 (the “Trust Agreement”), by and among the District, the Corporation and the Trustee, pursuant to which the Certificates will be executed and delivered.

The Certificates are being issued to finance the acquisition and construction of various improvements to the District’s Wastewater System, and pay the costs of executing and delivering the Certificates. See “FINANCING PLAN.”

The Certificates will be delivered as fully registered certificates, registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”), and will be available to ultimate purchasers (“Beneficial Owners”) in integral multiples of \$5,000, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of certificates representing their ownership interest in the Certificates. The portion of the Installment Payments designated as and comprising interest is payable on May 1 and November 1 of each year, commencing May 1, 2025, by the Trustee to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Certificates.

The Certificates are subject to prepayment prior to maturity. See “THE CERTIFICATES – Prepayment.”

The District’s obligation to make Installment Payments is a special obligation of the District payable and secured exclusively from Net Revenues (as defined in this Official Statement) of the District under the Installment Sale Agreement and from amounts on deposit in certain funds and accounts established under the Trust Agreement. A debt service reserve fund for the Certificates will not be established in connection with the execution and delivery thereof. The District may incur additional debt secured by Net Revenues on a parity with the Installment Payments in the future, provided that the conditions set forth in the Installment Sale Agreement are met. See “RISK FACTORS” and “SECURITY FOR THE CERTIFICATES – Parity Debt.”

Bidders may specify whether they wish to include municipal bond insurance on some or all of the Certificates in their bid submission, and will be solely responsible for the payment of such bond insurance premium. Build America Mutual and Assured Guaranty have been provided information on the Certificates.

THE INSTALLMENT PAYMENTS ARE PAYABLE SOLELY FROM NET REVENUES PLEDGED BY THE DISTRICT AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE TRUST AGREEMENT.

This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Certificates. Investors should review the entire Official Statement before making any investment decision.

MATURITY SCHEDULE
(See inside cover)

The Certificates will be sold and awarded pursuant to a competitive bidding process to be held on September 25, 2024, subject to change or cancellation, as set forth in the Official Notice of Sale with respect to the Certificates. The Certificates are offered when, as and if executed and delivered to the winning bidder, subject to approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel. Jones Hall is also acting as Disclosure Counsel to the District. It is anticipated that the Certificates will be available for delivery in book-entry form on or about October 9, 2024.*

The date of this Official Statement is: _____, 2024.

* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

MATURITY SCHEDULE

(Base CUSIP[†] Number: _____)

<u>Maturity</u> <u>(May 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP[†]</u> <u>Number</u>
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\$_____ - _____% Term Certificates due May 1, 20__;
Yield ____%; Price ____; CUSIP[†]: ____

\$_____ - _____% Term Certificates due May 1, 20__;
Yield ____%; Price ____; CUSIP[†]: ____

[†] CUSIP is a Registered Trademark of The American Bankers Association (ABA). FactSet Research Systems Inc. operates The CUSIP Service Bureau for the ABA. These data are not intended to create a database and do not serve in any way as a substitute for the CUSIP services. None of the Authority, the City, the Underwriter, or their agents, is responsible for the selection or correctness of the CUSIP numbers set forth above.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Certificates other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Certificates will, under any circumstances, create any implication that there has been no change in the affairs of the District or any other parties described in this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the Certificates referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Certificates.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable.

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

Document References and Summaries. All references to and summaries of the Trust Agreement, the Installment Sale Agreement or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Stabilization of Prices. In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Certificates at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Certificates to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

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

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access ("EMMA") website.

**SANITARY DISTRICT NO. 2 OF MARIN COUNTY,
A SUBSIDIARY DISTRICT TO THE TOWN OF CORTE MADERA
(MARIN COUNTY, CALIFORNIA)**

DISTRICT BOARD / TOWN COUNCIL

Eli Beckman, President / Mayor
Pat Ravasio, Vice President / Vice Mayor
Fed Casissa, Director / Councilmember
Charles Lee, Director / Councilmember
Rosa Thomas, Director / Councilmember

DISTRICT / TOWN STAFF

R.J. Suokko, P.E., District Manager / Director of Public Works and Town Engineer
Adam Wolff, Town Manager
Daria Carrillo, Director of Finance and Town Treasurer
Lorena Barrera, Town Clerk and Assistant to the Town Manager
Amy Ackerman of Renne Public Law Group, General Counsel / Town Attorney

SPECIAL SERVICES

Municipal Advisor

NHA Advisors, LLC
San Rafael, California

Special Counsel and Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

TABLE OF CONTENTS

INTRODUCTION	1	Wastewater Customers and Revenues.....	24
FINANCING PLAN.....	4	Wastewater Connection Fees	25
General	4	Wastewater Rates and Charges	25
Sources and Uses of Funds.....	4	Property Tax Revenues.....	28
THE CERTIFICATES.....	4	Historical Delinquencies; Teeter Plan	31
Description	4	Capital Improvement Program (CIP).....	32
Prepayment*	5	Historical Operating Results.....	33
Book-Entry System	8	Projected Operating Results and Debt Service	
Transfer and Exchange.....	8	Coverage	33
SECURITY FOR THE CERTIFICATES	9	RISK FACTORS	35
General	9	Net Revenues; Rate Covenant.....	35
Limited Obligation	9	Projections.....	35
Security for the Installment Payments.....	10	Risks Related to Facilities and Operations.....	35
Flow of Funds.....	11	Expenses of the Wastewater System;	
No Debt Service Reserve Fund	12	Additional Sanitation Agency Payments	39
Rate Covenant; Collection of Rates and		Risks Related to Membership in Sanitation	
Charges	12	Agency	39
Rate Stabilization Fund	13	Concentration of Largest Users.....	40
Parity Debt	13	Limitation on Remedies Available	40
Additional Covenants	14	Loss of Tax Exemption	41
DEBT SERVICE SCHEDULE	15	Proposition 218	41
THE CORPORATION.....	16	Proposition 26	42
THE DISTRICT AND THE		Future Initiatives; Change in Law	43
WASTEWATER SYSTEM.....	16	Limited Recourse on Default	43
Organization and Purpose	16	Secondary Market for Certificates	43
Service Area.....	16	Cyber Security	44
Membership in the Sanitation Agency.....	17	Future Parity Debt	44
Sanitation Agency Payment Agreement	18	CONTINUING DISCLOSURE	44
District’s Collection System.....	18	NO LITIGATION	45
Regional Wastewater Treatment Facility	18	RATING	45
Recent Sewer Master Plan and Rate Study.....	19	TAX MATTERS	45
Regulatory Matters.....	19	CERTAIN LEGAL MATTERS.....	47
Governance and Management; Employees.....	20	COMPETITIVE SALE OF	
CalPERS Pension Plan.....	21	CERTIFICATES	47
Other Post-Employment Benefits (OPEB)	22	MUNICIPAL ADVISOR.....	48
Insurance	22	EXECUTION	48
Audited Financial Statements	23		
Financial Policies	23		

APPENDIX A - GENERAL INFORMATION ABOUT THE TOWN OF CORTE MADERA AND COUNTY OF MARIN

APPENDIX B - AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2023

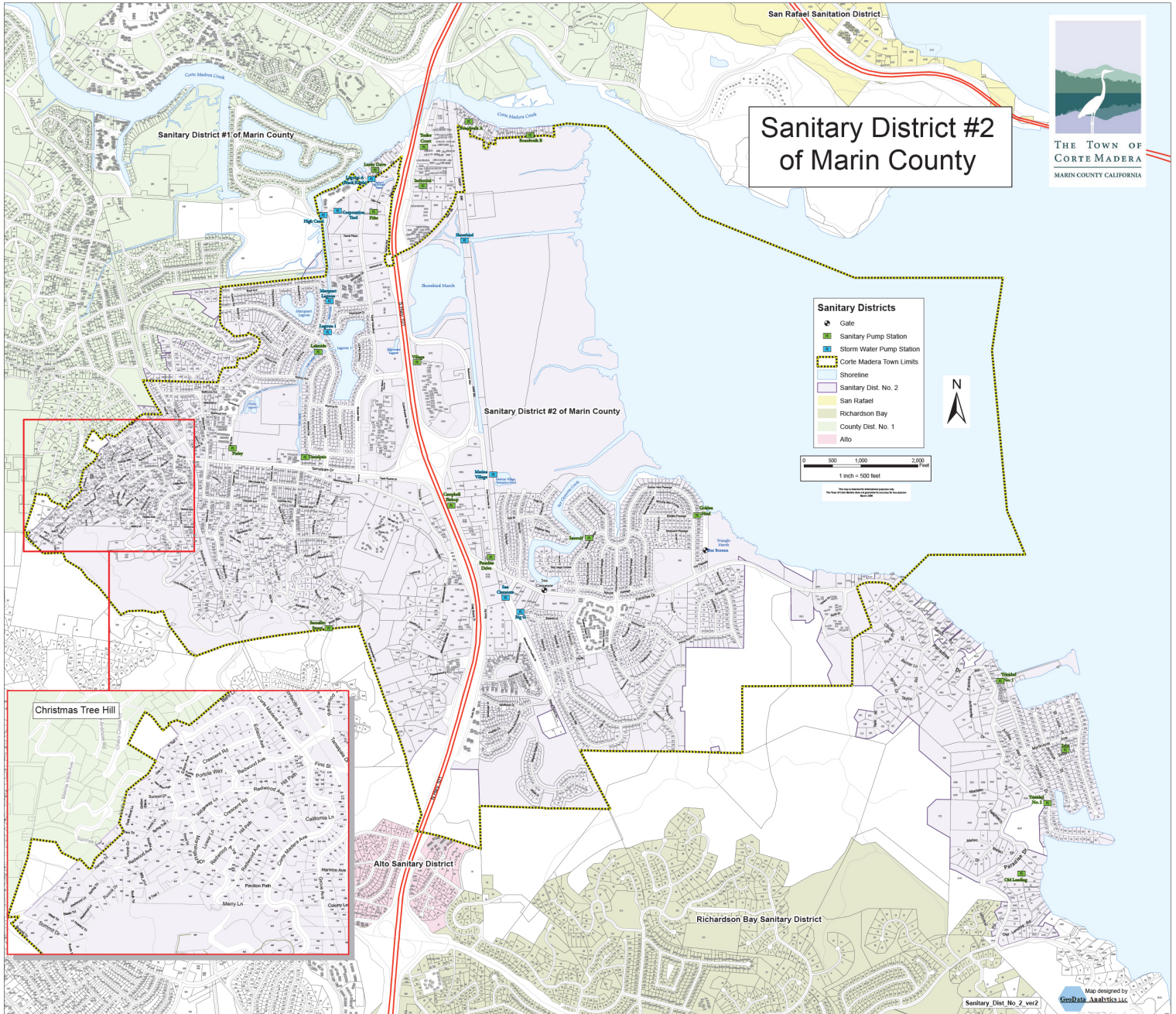
APPENDIX C - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX D - FORM OF SPECIAL COUNSEL OPINION

APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX F - BOOK-ENTRY ONLY SYSTEM

SANITARY DISTRICT NO. 2 OF MARIN COUNTY, A SUBSIDIARY DISTRICT TO THE TOWN OF CORTE MADERA SERVICE AREA



OFFICIAL STATEMENT

\$9,500,000*
**SANITARY DISTRICT NO. 2 OF MARIN COUNTY,
A SUBSIDIARY DISTRICT TO THE TOWN OF CORTE MADERA
WASTEWATER REVENUE CERTIFICATES OF PARTICIPATION,
SERIES 2024**

INTRODUCTION

*This Official Statement, including the cover page, inside cover and appendices, is provided to furnish information in connection with the execution and delivery of the above-captioned certificates of participation (the “**Certificates**”). This Introduction contains a brief summary of certain information contained in this Official Statement. It is not intended to be complete and is qualified by the more detailed information contained elsewhere in this Official Statement. Definitions of certain terms used in this Official Statement are set forth in APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”*

The District. Sanitary District No. 2 of Marin County (the “**District**”) was incorporated on January 21, 1901, and was reincorporated as a subsidiary district of the Town of Corte Madera (the “**Town**”) on January 15, 1969. The District provides wastewater services to approximately 6,000 customers within its boundaries, which are largely coterminous with the boundaries of the Town. For additional background information on the Town and the County of Marin, see APPENDIX A.

Sewer treatment and disposal facilities are provided by the District through the Central Marin Sanitation Agency (“**CMSA**” or the “**Sanitation Agency**”), a joint exercise of powers agency initially established on October 15, 1979, of which the District is a member. The Town Council acts as the District’s Board of Directors. Although legally separate, the Town and District operate in conjunction with each other, including sharing equipment, office space, and meeting facilities. Town personnel provide all engineering, management and operational services to the District, exclusive of operation and maintenance service for sewage collection pump stations (which is handled by CMSA through contractual agreement). See “THE DISTRICT AND THE WASTEWATER SYSTEM.”

The Certificates. The Certificates are being executed and delivered pursuant to the provisions of a Trust Agreement, dated as of October 1, 2024 (the “**Trust Agreement**”), among the District, the Public Property Financing Corporation of California (the “**Corporation**”), a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the “**State**”), and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”).

* Preliminary; subject to change.

Prepayment. The Certificates are subject to prepayment prior to their scheduled payment dates as described in this Official Statement. See “THE CERTIFICATES – Prepayment.”

Security for the Certificates. The Certificates evidence direct, undivided and fractional interests in certain installment payments (the “**Installment Payments**”) to be made by the District pursuant to an Installment Sale Agreement, dated as of October 1, 2024 (the “**Installment Sale Agreement**”), between the District and the Corporation. The Corporation, for the benefit of the Owners of the Certificates, has assigned, among other things, its right to receive Installment Payments to the Trustee pursuant to the Trust Agreement.

The Installment Payments are payable from and secured by Net Revenues (as defined in this Official Statement) derived from the operation of the wastewater system (as further defined herein, the “**Wastewater System**”) of the District, and from amounts on deposit in certain funds and accounts established under the Trust Agreement. A debt service reserve fund for the Certificates will not be established by the District in connection with the execution and delivery thereof. See “SECURITY FOR THE CERTIFICATES.”

Bond Insurance Option. Bidders may specify whether they wish to include municipal bond insurance on some or all of the Certificates in their bid submission, and will be solely responsible for the payment of such bond insurance premium. Build America Mutual and Assured Guaranty have been provided information on the Certificates.

Use of Proceeds. The proceeds of the Certificates will be used to finance (i) the acquisition and construction of certain capital improvements to the Wastewater System, as more particularly described herein (the “**Projects**”), and (ii) the costs of executing and delivering the Certificates. See “FINANCING PLAN.”

Rate Covenant. In the Installment Sale Agreement, the District covenants to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year which are sufficient to yield Net Revenues which are at least equal to 110% of the amount of Installment Payments and all payments of principal of and interest on any Parity Debt (defined below) coming due and payable during the Fiscal Year. For purposes of this covenant, the amount of Net Revenues for a Fiscal Year will be computed by including in Gross Revenues all Connection Charges received in the Fiscal Year and all amounts transferred into the Wastewater Fund from the Rate Stabilization Fund during the Fiscal Year. See “SECURITY FOR THE CERTIFICATES – Rate Covenant; Collection of Rates and Charges.”

Parity Debt. The District does not currently have any obligations outstanding payable from the Net Revenues on a parity basis to the Installment Payments. The District is authorized to issue or incur any bonds, notes, leases, installment sale agreements, contracts or other obligations of the District which are secured by a pledge of and lien upon any of the Net Revenues on a parity with the Installment Payments (collectively, “**Parity Debt**”) subject to the satisfaction of certain conditions. See “SECURITY FOR THE CERTIFICATES – Parity Debt.”

Subordinate and Other Debt. Nothing in the Installment Sale Agreement limits or affects the ability of the District to issue or incur additional obligations which are either unsecured or which are secured by an interest in the Net Revenues which is junior and subordinate to the pledge of and lien upon the Net Revenues established under the Installment Sale Agreement.

Assignment. Pursuant to the Trust Agreement, the Corporation has transferred, conveyed and assigned to the Trustee, for the benefit of the Owners, substantially all of the Corporation's rights in the Installment Sale Agreement, including the right to receive and collect all of the Installment Payments and all other amounts required to be deposited in the Installment Payment Fund and the right to exercise any remedies provided therein in the event of a default by the District thereunder.

Limited Obligation. THE DISTRICT'S OBLIGATION TO MAKE INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES AND OTHER FUNDS PROVIDED THEREFOR IN THE TRUST AGREEMENT.

Risk Factors. The purchase of the Certificates involves certain risks. For a description of some of these risks, see "RISK FACTORS."

Definitive Statement. All descriptions and summaries of various documents in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each document. Certain capitalized terms used in this Official Statement and not defined in this Official Statement have the meaning given them in APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

FINANCING PLAN

General

The proceeds of the sale of the Certificates will be used to: (i) finance the acquisition and construction of certain capital improvements to the Wastewater System (herein referred to as, the “**Projects**”), and (ii) pay certain costs of executing and delivering the Certificates. The District anticipates that the Projects will consist generally of the following:

- Paradise Pump Station construction
- Corte Madera Creek Meter vault
- 24-inch Paradise force main
- Madera Gardens sewer project

The District has the right, in its sole discretion, to specify the exact scope, nature and identification of the Projects and the respective components thereof. The District may from time to time amend any plans and specifications for the Projects, and thereby change or modify the description of the Projects or any component thereof.

Sources and Uses of Funds

The anticipated sources and uses of funds relating to the Certificates are as follows:

Estimated Sources:

Principal Amount
Plus: [Net] Original Issue Premium
Total Sources: _____

Estimated Uses:

Project Fund
Costs of Issuance ⁽¹⁾
Total Uses: _____

⁽¹⁾ Includes Underwriter’s discount, Trustee fees, Special Counsel and Disclosure Counsel fees, Municipal Advisor fees, printing costs, rating agency fees, and other related costs.

THE CERTIFICATES

Description

The Certificates will be dated as of the date of original delivery, will represent interest at the rates per annum set forth on the inside cover page hereof payable semiannually on May 1 and November 1 of each year (each, a “**Interest Payment Date**”), commencing May 1, 2025, and principal represented thereby will mature on the dates and in the amounts set forth on the inside front cover. Said interest represents the portion of Installment Payments designated as interest and coming due on each of the respective Interest Payment Dates. The share of the portion of Installment Payments designated as interest with respect to any Certificate will be computed by multiplying the portion of Installment Payments designated as principal represented by such Certificate by the rate of interest represented by such Certificate (on the basis of a 360-day year of twelve 30-day months).

The Certificates will be executed and delivered in fully registered form without coupons. The Certificates are being executed and delivered in denominations of \$5,000 principal amount or any integral multiple thereof. The Certificates, when executed and delivered, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company (“DTC”). Ownership may be changed only upon the registration books maintained by the Trustee as provided in the Trust Agreement. See the discussion under “– Transfer and Exchange” below.

The Trustee will pay interest represented by the Certificates on each Interest Payment Date, to the person appearing on the Registration Books as the Owner thereof as of the close of business on the close of business on the 15th day of the month preceding each Interest Payment Date, whether or not such 15th day is a Business Day (the “Record Date”), immediately preceding such Interest Payment Date, by check mailed to the Owner by first class mail at the Owner’s address appearing on the Registration Books. At the written request of the Owner of Certificates in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of the Record Date preceding any Interest Payment Date, the Trustee will pay interest represented by the Certificates by wire transfer in immediately available funds to such account in the United States as is specified in the written request. The principal and prepayment price represented by any Certificate at maturity or upon prior prepayment is payable in lawful money of the United States of America upon surrender of such Certificate at the Trust Office of the Trustee. Notwithstanding the foregoing, while the Certificates are held in the book-entry only system of DTC, all such payments of principal, and interest and premium, if any, will be made to Cede & Co. as the registered owner of the Certificates, for subsequent disbursement to Participant and beneficial owners.

While the Certificates are held in the book-entry only system of DTC, all notice and payments will be made to Cede & Co., as the registered owner of the Certificates.

See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

Prepayment*

Optional Prepayment. The Certificates maturing on or before May 1, 2034, are not subject to optional prepayment prior to the respective stated maturities. The Certificates maturing on or after May 1, 2035, are subject to optional prepayment in whole or in part, on any date on or after May 1, 2034, from prepayments of the Installment Payments made at the option of the District under prepayment provisions of the Installment Sale Agreement. Certificates shall be subject to prepayment under this subsection at a prepayment price equal to 100% of the principal amount of Certificates or portions thereof to be prepaid together with accrued interest represented thereby to the prepayment date, without premium.

If Certificates are prepaid in part but not in whole, the Trustee will select Certificates for prepayment among maturities on such basis as the District designates in written notice to the Trustee, and by lot within a maturity.

Prepayment From Net Proceeds of Insurance, Sale and Condemnation. The Certificates are subject to mandatory prepayment, on any date, in whole, or in part on a pro rata basis among maturities, from the net proceeds of insurance, sale or condemnation credited

* Preliminary; subject to change.

towards the prepayment of the Installment Payments by the District under the Installment Sale Agreement. The Certificates are subject to prepayment from such net proceeds at a prepayment price equal to the principal amount represented thereby to be prepaid, without premium, together with accrued interest represented thereby to the prepayment date.

Mandatory Sinking Fund Prepayment. The Certificates maturing on May 1, 20__ and on May 1, 20__ (together, the “**Term Certificates**”) are subject to mandatory prepayment in part by lot, at a prepayment price equal to 100% of the principal amount thereof to be prepaid, without premium, in the aggregate respective principal amounts and on May 1 in the respective years as set forth in the following tables:

Term Certificates Maturing May 1, 20__

Sinking Fund Prepayment Date <u> (May 1) </u>	Principal Amount <u>To Be Prepaid</u>
---	--

Term Certificates Maturing May 1, 20__

Sinking Fund Prepayment Date <u> (May 1) </u>	Principal Amount <u>To Be Prepaid</u>
---	--

Notwithstanding the foregoing provisions, if some but not all of the Term Certificates are prepaid under any of the optional prepayment or prepayment from net proceeds of insurance, sale or condemnation provisions described above, the aggregate principal amount of the Term Certificates to be prepaid in each year thereafter shall be reduced by the aggregate principal amount of Term Certificates so prepaid, to be allocated among sinking fund installments on a pro rata basis in integral multiples of \$5,000 such that the resulting amount of principal represented by the Term Certificates subject to mandatory sinking fund prepayment on any date is equal to the principal component of the Installment Payment coming due and payable on such date.

Notice of Optional Prepayment. When prepayment is authorized or required as under the Trust Agreement as described above, the Trustee will give notice of the prepayment of the Certificates on behalf and at the expense of the District. Such notice must state the prepayment date and prepayment price and, if less than all of the then Outstanding Certificates of any maturity are to be called for prepayment, shall designate the numbers of the Certificates to be prepaid by giving the individual number (including the CUSIP number) of each Certificate or by stating that all Certificates between two stated numbers, both inclusive, have been called for prepayment or

by stating that all of the Certificates of one or more maturities have been called for prepayment, and shall require that such Certificates be surrendered on the designated prepayment date at the Trust Office of the Trustee for prepayment at said prepayment price, giving notice also that further interest represented by the Certificates will not accrue from and after the prepayment date. With regard to any optional prepayment, if the funds required to pay the prepayment price are not on deposit at the time notice of such prepayment is sent, the notice shall include a statement to the effect that the prepayment is conditioned upon the receipt by the Trustee of the funds required to pay the prepayment on or before the prepayment date. The notice shall further state that on the specified date there shall become due and payable upon each Certificate, the principal, together with interest accrued to said date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

At least 20 days but not more than 60 days prior to the prepayment date, the Trustee will mail notice of prepayment by first class mail with postage prepaid, to the Owners of Certificates designated for prepayment at their respective addresses appearing on the Registration Books. In addition, the Trustee will give notice of prepayment by to the Municipal Securities Rulemaking Board and to each Securities Depository at least two days prior to such mailing to the Certificate Owners. Such notice shall, in addition to setting forth the above information, set forth, in the case of each Certificate called only in part, the portion of the principal represented thereby which is to be prepaid; *provided, however*, that neither failure to receive such notice so mailed nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such Certificates or the cessation of accrual of interest represented thereby from and after the date fixed for prepayment.

While the Certificates are subject to DTC's book-entry system, the Trustee will be required to give notice of prepayment only to DTC as provided in the letter of representations executed by the District and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of prepayment to the Beneficial Owners of the Certificates to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any Certificates to be prepaid, of a notice of prepayments or its content or effect will not affect the validity of the notice of prepayment, or alter the effect of prepayment set forth in the Trust Agreement.

Partial Prepayment. Upon surrender of any Certificate prepaid in part only, the Trustee will execute and deliver to the Owner thereof, at the expense of the District, a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unprepaid portion of the Certificate surrendered and of the same interest rate and the same maturity.

Manner of Prepayment. Whenever any Certificates are to be selected for prepayment and unless otherwise provided herein, the District shall determine the Certificates or portions thereof to be prepaid among series and maturities within a series and notify the Trustee, and the Trustee shall select the Certificates or portions thereof to be prepaid by lot within a maturity and notify the District.

Selection of Certificates for Prepayment. Whenever provision is made in the Trust Agreement for the prepayment of Certificates and less than all Outstanding Certificates of any one maturity are called for prepayment, the Trustee will select Certificates for prepayment within such maturity by lot in any manner deemed fair by the Trustee. For the purposes of such selection, Certificates will be deemed to be composed of \$5,000 portions, and any such portion may be separately prepaid. The Trustee will promptly notify the District in writing of the

Certificates or portions thereof so selected for prepayment. The selection by the Trustee of any Certificates for prepayment is final and conclusive.

Effect of Notice of Prepayment. Moneys for the prepayment (including the interest to the applicable date of prepayment) of Certificates having been set aside in the Installment Payment Fund, the Certificates shall become due and payable on the date of such prepayment, and, upon presentation and surrender thereof at the Trust Office of the Trustee, said Certificates will be paid at the unpaid principal amount (or applicable portion thereof) represented thereby plus interest accrued and unpaid to said date of prepayment.

If, on said date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest represented thereby to said date of prepayment, shall be held by the Trustee so as to be available therefor on such date of prepayment, then, from and after said date of prepayment, interest represented by the Certificates shall cease to accrue and become payable. All moneys held by the Trustee for the prepayment of Certificates shall be held in trust for the account of the Owners of the Certificates so to be prepaid, and shall be held by the Trustee in trust uninvested.

Purchase in Lieu of Prepayment. In lieu of prepayment of Certificates as described above, amounts held by the Trustee for such prepayment shall, at the written request of the District Representative received by the Trustee no later than 60 days prior to the prepayment date, be applied by the Trustee to the purchase of Certificates at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the District may in its discretion direct, but not to exceed the prepayment price which would be payable if such Certificates were prepaid. The aggregate principal amount of Certificates of the same maturity purchased in lieu of prepayment may not exceed the aggregate principal amount of Certificates of such maturity which would otherwise be subject to such prepayment.

Book-Entry System

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered Certificates registered in the name of Cede & Co., as nominee of DTC. One fully-registered Certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

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

Transfer and Exchange

So long as the Certificates are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges by beneficial owners of their interest in the Certificates will be made in

accordance with DTC procedures and not as hereinafter described. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

The registration of any Certificate may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by a duly authorized attorney, upon surrender of such Certificate for cancellation at the Trust Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed.

Whenever any Certificate or Certificates shall be surrendered for registration of transfer, the Trustee will execute and deliver a new Certificate or Certificates representing the same maturity, interest rate and aggregate principal amount, in any authorized denominations. The District shall pay all costs of the Trustee incurred in connection with any such transfer, except that the Trustee may require the payment by the Certificate Owner of any tax or other governmental charge required to be paid with respect to such transfer.

Certificates may be exchanged at the Trust Office of the Trustee, for a like aggregate principal amount of Certificates representing other authorized denominations of the same interest rate and maturity. The District shall pay all costs of the Trustee incurred in connection with any such exchange, except that the Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee may refuse to transfer or exchange either (i) any Certificate during the period established by the Trustee for the selection of Certificates for prepayment, or (ii) the portion of any Certificate which the Trustee has selected for prepayment under the provisions of the Trust Agreement.

SECURITY FOR THE CERTIFICATES

General

Each Certificate evidences and represents a direct, undivided fractional interest of the Owner thereof in the Installment Payments to be made by the District under the Installment Sale Agreement. The Corporation, pursuant to the Trust Agreement, has transferred, conveyed and assigned to the Trustee, for the benefit of the Owners of the Certificates, substantially all of the Corporation's rights under the Installment Sale Agreement, including the right to receive Installment Payments from the District and the right to exercise any remedies in the event of a default by the District.

Limited Obligation

The District's obligation to pay the Installment Payments and any other amounts coming due and payable under the Installment Sale Agreement is a special obligation of the District limited solely to the Net Revenues. Under no circumstances is the District required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified therein for the payment of the Installment Payments and such other amounts, and no other funds or property of the District are liable for the payment of the Installment Payments.

Security for the Installment Payments

Pledge of Net Revenues. Pursuant to the Installment Sale Agreement, all of the Net Revenues and all moneys on deposit in any of the funds and accounts established and held by the Trustee under the Trust Agreement are irrevocably pledged, charged and assigned to the punctual payment of the Installment Payments. Such pledge, charge and assignment constitutes a lien on and security interest in the Net Revenues and such other moneys for the payment of the Installment Payments in accordance with the terms of the Installment Sale Agreement, are on a parity with the pledge and lien which secures Parity Debt (if any).

Set forth in the following paragraphs are some of the terms defined in the Trust Agreement that are most relevant to understanding the pledge of Net Revenues to the Installment Payments.

“Net Revenues” means, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

“Gross Revenues” means all gross income and revenue received by the District from the ownership and operation of the Wastewater System, including, without limiting the generality of the foregoing:

- (a) all amounts levied by the District as a fee for connecting to the Wastewater System, as such fee is established from time to time under the applicable laws of the State of California;
- (b) all income, rents, rates, fees, capital improvement fees (including facilities capacity and pump zone fees), charges or other moneys derived from the services, facilities and commodities sold (including recycled water), furnished or supplied through the facilities of the Wastewater System;
- (c) all *ad valorem* property taxes received by the District;
- (d) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or under applicable law to the Wastewater System;
- (e) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Wastewater System as permitted in this Trust Agreement;
- (f) grants received by the District to the extent available to pay the costs related to the Wastewater System; and
- (g) amounts transferred from the Rate Stabilization Fund to the Wastewater Fund during such Fiscal Year.

Notwithstanding the foregoing, the term “Gross Revenues” does not include (i) customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District, (ii) the proceeds of any *ad valorem* property taxes levied for the purpose of paying general obligation bonds of the District relating to the Wastewater System, (iii) for any Fiscal Year,

any income or revenue received by the District in such Fiscal Year that is deposited into the Rate Stabilization Fund and (iv) the proceeds of any special assessments or special taxes levied upon real property within any improvement district for the purpose of paying special assessment bonds or special tax obligations of the District relating to the Wastewater System.

“Operation and Maintenance Costs” means the reasonable and necessary costs paid or incurred by the District for maintaining and operating the Wastewater System, determined in accordance with generally accepted accounting principles, including but not limited to (a) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Wastewater System in good repair and working order, (b) all administrative costs of the District that are charged directly or apportioned to the operation of the Wastewater System, such as salaries and wages of employees, overhead, taxes (if any) and insurance, (c) all payments payable by the District under the Sanitation Agency JPA Agreement, and (d) all payments payable by the District under the Sanitation Agency Payment Agreement and similar agreements related to bonds issued by the Sanitation Agency. “Operating and Maintenance Costs” do not include (i) payments of debt service on bonds, notes or other obligations issued by the District with respect to the Wastewater System, except as provided in clauses (c) or (d) of the preceding sentence, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

“Wastewater System” means any and all facilities now existing or hereafter acquired or constructed which are owned, controlled or operated by the District for the collection and conveyance of wastewater, including all appurtenances necessary, useful or convenient therefor, and any necessary lands, rights of way and other real or personal property useful in connection therewith.

Flow of Funds

Deposit of Gross Revenues into Wastewater Fund; Transfers to Make Payments.

The District will deposit all of the Gross Revenues from the Wastewater System into the Sanitary District Operating Fund (the **“Wastewater Fund”**), immediately on receipt. The District will apply amounts in the Wastewater Fund as set forth in the Installment Sale Agreement and any Parity Debt Documents. The District shall apply amounts on deposit in the Wastewater Fund to pay when due the following amounts in the following order of priority:

- (a) all Operation and Maintenance Costs;
- (b) the Installment Payments and all payments of principal of and interest on any Parity Debt;
- (c) to remedy any deficiency in any reserve fund established for Parity Debt;
- (d) any other payments required to comply with the provisions of the Installment Sale Agreement and any Parity Debt Documents; and
- (e) any other purposes authorized under the Installment Sale Agreement (as described in the following paragraph).

The Installment Sale Agreement provides that the District will manage, conserve and apply the Net Revenues on deposit in the Wastewater Fund in such a manner that all deposits required to be made thereunder as described above will be made at the times and in the amounts so

required. Subject to the foregoing sentence, so long as no Event of Default has occurred and is continuing, the District may use and apply moneys in the Wastewater Fund for (i) the payment of any subordinate obligations or any unsecured obligations, (ii) the acquisition and construction of improvements to the Wastewater System, (iii) the prepayment of any other obligations of the District relating to the Wastewater System, or (iv) any other lawful purposes of the District, including deposits into the Rate Stabilization Fund.

No Preference or Priority. The payment of the Installment Payments and the principal of and interest on any Parity Debt shall be made without preference or priority. If the amount of Net Revenues on deposit in the Wastewater Fund are any time insufficient to enable the District to pay when due the Installment Payments and the principal of and interest on any Parity Debt, such payments will be made on a pro rata basis.

Budget and Appropriation. During the Term of the Installment Sale Agreement, the District will adopt all necessary budgets and make all necessary appropriations of the Installment Payments from the Net Revenues. If any Installment Payment requires the adoption by the District of a supplemental budget or appropriation, the District will promptly adopt the same. These covenants are duties imposed by law and it is the duty of each and every public official of the District to take such actions and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform these covenants.

No Debt Service Reserve Fund

The District will not fund a debt service reserve fund for the Certificates in connection with the execution and delivery thereof.

Rate Covenant; Collection of Rates and Charges

The District has made the following rate covenants in the Installment Sale Agreement.

Gross Revenues. The District will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year (July 1 through June 30) which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues sufficient to pay the following amounts in the following order of priority:

- (a) all Operation and Maintenance Costs estimated by the District to become due and payable in the Fiscal Year;
- (b) all Installment Payments and all payments of principal of and interest on any Parity Debt as they become due and payable during the Fiscal Year, without preference or priority (if interest on any Parity Debt is computed at a variable rate, the amount required to be taken into account for any Fiscal Year will be the actual rate borne by such Parity Debt during such Fiscal Year);
- (c) all amounts, if any, required to restore the balance in a debt service reserve fund for any Parity Debt; and
- (d) all payments required to meet any other obligations of the District which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues during such Fiscal Year.

For purposes of the foregoing, the amount of Gross Revenues for a Fiscal Year will be computed without including in Gross Revenues Connection Charges received in the Fiscal Year and amounts transferred into the Wastewater Fund from the Rate Stabilization Fund during the Fiscal Year. See “– Rate Stabilization Fund,” below.

Net Revenues. In addition, the District covenants to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year which are sufficient to yield Net Revenues which are at least equal to 110% of the amount of Installment Payments and all payments of principal of and interest on any Parity Debt coming due and payable during the Fiscal Year. For purposes of this covenant, the amount of Net Revenues for a Fiscal Year will be computed by including in Gross Revenues all Connection Charges received in the Fiscal Year and all amounts transferred into the Wastewater Fund from the Rate Stabilization Fund during the Fiscal Year.

Rate Stabilization Fund

Under the Installment Sale Agreement, the District has the right (but not the obligation) at any time to establish a fund to be held by it and administered in accordance with the Installment Sale Agreement (the “**Rate Stabilization Fund**”), for the purpose of stabilizing the rates and charges imposed by the District with respect to the Wastewater System. From time to time, the District may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Gross Revenues which are released from the pledge and lien which secures the Installment Payments and any Parity Debt, as the District may determine.

The District may, but is not required to, withdraw amounts on deposit in the Rate Stabilization Fund and deposit such amounts in the Wastewater Fund in any Fiscal Year for the purpose of paying the Installment Payments or the principal of and interest on any Parity Debt coming due and payable in such Fiscal Year. Amounts so transferred from the Rate Stabilization Fund to the Wastewater Fund in any Fiscal Year constitute Gross Revenues for that Fiscal Year and will be applied for the purposes of the Wastewater Fund. Amounts on deposit in the Rate Stabilization Fund are not pledged to and do not secure the Installment Payments and any Parity Debt. All interest or other earnings on deposits in the Rate Stabilization Fund will be retained therein or, at the option of the District, be applied for any other lawful purposes. The District has the right at any time to withdraw any or all amounts on deposit in the Rate Stabilization Fund and apply such amounts for any other lawful purposes of the District.

The District does not currently maintain a Rate Stabilization Fund.

Parity Debt

The District does not have any obligations outstanding payable from the Net Revenues on a parity basis to the Installment Payments (previously defined as “**Parity Debt**”). However, the District may issue or incur Parity Debt in the future upon satisfaction of the conditions set forth in the Installment Sale Agreement, consisting of the following:

- (a) no Event of Default has occurred and is continuing;
- (b) the Net Revenues, calculated in accordance with sound accounting principles, as shown by the books of the District for the latest Fiscal Year or as shown by the books of the District for any more recent 12 month period selected by the District, in either case verified by a certificate or opinion of an Independent Accountant employed by

the District, plus (at the option of the District) any or all of the Additional Revenues, are at least equal to 110% of the amount of Maximum Annual Debt Service after the issuance of such Parity Debt (for purposes of computing such Net Revenues, the amount of Gross Revenues may not include any amounts transferred from a Rate Stabilization Fund to the Wastewater Fund); and

- (c) the District will deliver to the Trustee a written certificate of a District Representative certifying that the conditions precedent to the issuance of such Parity Debt set forth in foregoing have been satisfied.

As used in the foregoing, “**Maximum Annual Debt Service**” is defined in Appendix C and “**Additional Revenues**” means, with respect to the issuance of any Parity Debt, any or all of the following amounts:

- (a) An allowance for Net Revenues from any additions or improvements to or extensions of the Wastewater System to be constructed by the District from the proceeds of such Parity Debt, or which have been previously constructed by the District from any other source of funds but which were not in service during any part of the preceding Fiscal Year, in an amount equal to 100% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following the issuance of the proposed Parity Debt, all as shown by the certificate or opinion of a qualified independent consultant employed by the District.
- (b) An allowance for Net Revenues arising from any increase in the charges made for service from the Wastewater System which has been adopted prior to the incurring of such Parity Debt, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of the most recent completed Fiscal Year or during any more recent 12-month period selected by the District, all as shown by the certificate or opinion of a qualified independent consultant employed by the District.

Superior and Subordinate Obligations. The District will not issue or incur any additional bonds or other obligations during the term of the Installment Sale Agreement having any priority in payment of principal or interest out of the Gross Revenues or the Net Revenues over the Installment Payments. Nothing limits or affects the ability of the District to issue or incur (a) obligations payable as Operation and Maintenance Costs under the Sanitation Agency JPA Agreement, (b) Parity Debt, or (c) obligations which are either unsecured or which are secured by an interest in the Gross Revenues or the Net Revenues which are junior and subordinate to the pledge and lien established under the Installment Sale Agreement.

Additional Covenants

The District makes certain additional covenants in the Installment Sale Agreement and the Trust Agreement, including a covenant to maintain and preserve the Wastewater System and a covenant to maintain insurance. See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

DEBT SERVICE SCHEDULE

Scheduled principal and interest due on the Installment Payments securing the Certificates is shown in the following table.

Period Ending May 1	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Installment Payment</u>
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
2054			
Totals			

Source: NHA Advisors, LLC

THE CORPORATION

The Corporation is a non-profit public benefit corporation duly organized and existing under the laws of the State. The Corporation was created for the purpose, among others, of providing assistance to public agencies that wish to finance public improvements. The Corporation is unrelated to the District and has no financial liability to the owners of the Certificates with respect to the payment of Installment Payments by the District or with respect to the performance by the District of the other agreements and covenants it is required to perform.

THE DISTRICT AND THE WASTEWATER SYSTEM

Organization and Purpose

Sanitary District No. 2 of Marin County (the “**District**”) was incorporated on January 21, 1901, and was reincorporated as a subsidiary district of the Town of Corte Madera (the “**Town**”) on January 15, 1969. The District is governed under the provisions of the Sanitary District Act of 1923, Health and Safety Code, Section 6400 et seq., as amended. The purpose of the District is to provide, operate and maintain sewage collection, treatment, and disposal facilities for the properties included within its boundaries. The District provides sewer treatment and disposal facilities through the Central Marin Sanitation Agency (the “**Sanitation Agency**”), a joint exercise of powers agency initially established on October 15, 1979, of which the District is a member. See “– Membership in the Sanitation Agency” and “– Sanitation Agency Payment Agreement.”

The Town Council acts as the District’s Board of Directors. Although legally separate, the Town and District operate in conjunction with each other, including sharing equipment, office space, and meeting facilities. Town personnel provide all engineering, management and operational services to the District, exclusive of operation and maintenance service for sewage collection pump stations (which is handled by the Sanitation Agency through contractual agreement).

Service Area

The boundaries of the Town and District are essentially contiguous, with three principal exceptions: (1) portions of the Tiburon Peninsula served by the District are either in the incorporated limits of the Town of Tiburon or in the unincorporated sphere of influence of the Town of Tiburon; (2) that portion of Greenbrae to the east of Highway 101 and south of Corte Madera Creek served by the District is either in the incorporated limits of the City of Larkspur or in the unincorporated sphere of influence of the Town; and (3) a residential area known as Palm Hill in the City of Larkspur features a boundary with the District that is dependent on gravity flow into the District. There are also several smaller exceptions such as East Lucky Drive, which is in the unincorporated sphere of influence of the Town.

The District receives a portion of the County-wide levy of *ad valorem* property taxes as well as sewer service charges from the customers, which are measured on the basis of equivalent dwelling units (EDUs), within its service area. As of June 30, 2024, the District served approximately 6,157 EDUs.

Membership in the Sanitation Agency

The Sanitation Agency is a joint powers agency that provides wastewater treatment and disposal service to its three member agencies: the District, San Rafael Sanitation District (“**SRSD**”), and Ross Valley Sanitary District (formerly Sanitary District No. 1 of Marin County) (“**RVSD**”). The Sanitation Agency was initially formed October 15, 1979 and is currently existing and operating pursuant to the Joint Exercise of Powers Agreement, dated January 31, 2020, among its members (the “**Sanitation Agency JPA Agreement**”). The Sanitation Agency also provides wastewater treatment services under contract with the State of California for San Quentin Prison and the County’s San Quentin Village Sewer Maintenance District. The District provides one of the five members of the governing board of the Sanitation Agency.

The Sanitation Agency provides engineering, management, and operational services for its Regional Wastewater Treatment Facility for the benefit of its members. The Sanitation Agency personnel also provide engineering and operational services for wastewater collection systems, collection pump station maintenance, and other related services for its members. By a contractual agreement since 1985, the Sanitation Agency personnel provide pump station and force-main operation and maintenance within the District, while District personnel provide all engineering, management and operational services to the wastewater collection system, exclusive of sewage collection pump station maintenance.

The Sanitation Agency JPA Agreement sets forth the purpose and powers of the Sanitation Agency, and describes the make-up of its governing body. The Sanitation Agency is authorized to, and actually does, issue its own bonds and other long-term obligations to pay for its wastewater treatment and disposal facilities and operations. Each member agrees to indemnify the Sanitation Agency and the other members from such member’s actions or omissions under the Sanitation Agency JPA Agreement, including with respect to the NPDES permits that apply to the Sanitation Agency and each member’s actions.

Under the Sanitation Agency JPA Agreement, the Sanitation Agency has the right to collect amounts from the members (including the District) to operate its wastewater treatment system, including repaying debt service on bonds issued by the Sanitation Agency. These amounts are established by the governing body of the Sanitation Agency and are not subject to review or approval by any other agency. There are two categories of charges members pay to the Sanitation Agency: (1) sewer service charges and (2) debt service charges.

The Sanitation Agency utilizes two units of measure to allocate sewer service charges and debt service charges to its members. The allocation of sewer service charges is based on the strength and volume of wastewater discharged from each member and San Quentin State Prison to the Sanitation Agency for treatment from measurements taken by the Sanitation Agency in the prior 3-year rolling wet weather period (i.e., 36-month period beginning April 1 and ending March 31 of the prior 3 years). The allocation for debt service charges is based on the number of equivalent dwelling units (“**EDUs**”) reported by each member over a fixed 10-year period, and the allocation percentages are listed in a Memorandum of Understanding, dated October 20, 2016, between the Sanitation Agency and each of its members (the “**MOU**”). An EDU refers to a unit of wastewater discharge and is the estimated volume and strength generated by an average, single-family residence. Each member annually reports the number of EDUs in its jurisdiction to the Sanitation Agency used for information purposes and for certain other charges in connection with a rate ordinance adopted by the Sanitation Agency. Debt service charges are payable pursuant to the Sanitation Agency Payment Agreement described below. See “– Sanitation Agency Payment Agreement.”

Sanitation Agency Payment Agreement

In 2020, the Sanitation Agency and its members (including the District) entered into an Amended and Restated Payment Agreement for Treatment Service, dated as of November 1, 2020 (including any other similar agreement pursuant to which the District makes payments required by the Sanitation Agency JPA Agreement, the “**Sanitation Agency Payment Agreement**”), which replaced an earlier, similar payment agreement from 2006. Under the Sanitation Agency Payment Agreement, each Sanitation Agency member agrees to pay “Payments” to the Sanitation Agency when due, where “**Payments**” are defined as a share of the amount needed for the Sanitation Agency to pay debt service on its outstanding bonds, plus amounts required to satisfy the rate covenant for those bonds (125% of annual debt service) and any other covenants under the applicable legal documents pursuant to which the bonds are issued. On or before June 1 of each year, the Sanitation Agency calculates the Payments due from each member based upon the Sanitation Agency JPA Agreement and an allocation methodology set forth in the MOU. The MOU specifies debt service allocation percentages for each member (as well as San Quentin State Prison), with the District responsible for 11.70% of the total. The Payments under the Sanitation Agency Payment Agreement are due for the members on August 1 and February 1 of each Fiscal Year.

Under the Sanitation Agency Payment Agreement, the Sanitation Agency and the members (including the District) agree that the Payments shall be considered and treated as an operating expense of each member. The Sanitation Agency Payment Agreement provides that in the event that the Payments are not permitted to be treated as an operating expense of a member, the Payments will be treated as a parity obligation of such member payable from and secured by “System Net Revenues” (as defined therein to mean gross revenues less operation and maintenance costs) of such member on parity with any other wastewater debt obligations of such member. In addition, under the Sanitation Agency Payment Agreement, each member agrees, to the maximum extent permitted by law, to set wastewater service rates and charges at levels so as to provide sufficient revenues to fund the Payments, other amounts payable to the Sanitation Agency under the JPA agreement for treatment capacity and other purposes and all other funding needs of its wastewater system. ***Because the District’s obligation to make Payments to the Sanitation Agency is payable from Gross Revenues and is a component of Operation and Maintenance Costs of the District, such amounts will be paid prior to debt service on the Certificates and other Parity Debt.***

District’s Collection System

The District’s wastewater collection system comprises approximately 43.2 miles of gravity sewer mains, 4.4 miles of force mains, and 19 pump stations that pump approximately 1 million gallons per day (“mgd”) (average dry weather flow) of wastewater to the Sanitation Agency’s Regional Wastewater Treatment Facility for treatment and disposal.

As noted above, Town personnel provide all engineering, management and operational services to the District, exclusive of operation and maintenance services for sewage collection pump stations (which is handled by the Sanitation Agency through contractual agreement).

Regional Wastewater Treatment Facility

The Regional Wastewater Treatment Facility operated by the Sanitation Agency consists principally of pre-treatment and primary treatment followed in series by two biological treatment

units, namely biofilters and conventional activated sludge, and then disinfection and dechlorination systems. The effluent is discharged through a 7-foot diameter, 2-mile long marine outfall pipeline into the central San Francisco Bay. The term “biological treatment” is applied because the process relies on large-scale cultivated bacteria to treat wastewater.

The Sanitation Agency’s members have a combined total of approximately 70 pump stations (19 for the District, 19 for RVSD and 32 for SRSD), of which 18 pump directly to the Sanitation Agency through force-main pipelines. At the Regional Wastewater Treatment Facility, the Sanitation Agency treats on average approximately 11 mgd each day, with flows of approximately 7 mgd in dry weather and short-duration rain-induced flows as high as 121 mgd.

Recent Sewer Master Plan and Rate Study

2023 SMP. In 2021, the District hired GHD Consultants to prepare a comprehensive Sanitary Sewer Master Plan. On October 17, 2023, Town staff and GHD Consultants presented a draft Sanitary Sewer Master Plan to the public and the Board of Directors of the District, and later finalized the plan (the “**2023 SMP**”). The 2023 SMP was a result of two primary factors – the District’s internal needs and a legal settlement. In September 2020, the District had entered into a settlement agreement with an environmental advocacy group, California River Watch, that committed the District to complete a full pipe condition assessment using CCTV data that was obtained within the prior 10 years. The agreement also committed the District to invest at least \$5 million over a 5-year period to repair “significantly defective” pipelines.

The primary goals and objectives of the 2023 SMP were to:

- Evaluate the condition of the District’s sanitary sewer system to identify deficiencies
- Comply with the 2020 River Watch Settlement Agreement
- Update a comprehensive GIS database
- Develop a defensible 10-year capital improvement program (CIP)
- Perform a new rate study analysis
- Review vulnerabilities related to future sea level rise

2024 Rate Study. As part of the 2023 SMP, a wastewater cost of service and rate study (the “**2024 Rate Study**”) was undertaken and provided to the District by Raftelis, as subconsultant to GHD. The 2024 Rate Study was provided to the Board of Directors of the District on March 19, 2024. It forecasted the District’s capital improvement budget needs over a 10-year horizon and developed potential funding options. To meet the CIP goals of the District, rate increases were proposed and adopted by the Board of Directors of the District in accordance with Proposition 218. Additional details on the new rates and charges are described under “– Wastewater Rates and Charges.”

Regulatory Matters

The District is not aware of any environmental or regulatory issues that would adversely impact its ability to operate the Wastewater System.

The Sanitation Agency operates the regional wastewater treatment facility under two permits: (1) National Pollutant Discharge Elimination System (NPDES) Permit CA0038628, effective June 1, 2023, governing the quality of water discharged into the San Francisco Bay,

which is monitored and regulated by the San Francisco Regional Water Board, and (2) a Permit to Operate (Plant No. 653) issued by the Bay Area Air Quality Management District. The Sanitation Agency and each member of the Sanitation Agency (including the District) is responsible for its own obligations under the NPDES permit as “co-permittees”, including development and implementation of a sewer master plan.

Governance and Management; Employees

Board of Directors. The District is governed by a 5-member Board of Directors, who are the same as the Town Council. The Town Council is the community's part-time legislative body consisting of five members including the Mayor, Vice Mayor and three Councilmembers. They are elected at-large on a non-partisan basis for a four-year term. The terms are staggered so that a measure of continuity is maintained in the transitions from one Council to the next. The current members of the Town Council / District Board of Directors, and the expiration dates of their terms, are set forth below.

Town Council / District Board Member	Council / Board Position	Expiration of Term
Eli Beckman	Mayor / President	December 2026
Pat Ravasio	Vice Mayor / Vice President	December 2026
Fred Casissa	Councilmember / Boardmember	December 2024
Charles Lee	Councilmember / Boardmember	December 2024
Rosa Thomas	Councilmember / Boardmember	December 2026

Management. The Town’s Director of Public Works / Town Engineer also serves as the District Manager, and in that position is responsible for the overall administration of the District. Financial management operations of the District are provided by Town staff. Set forth below is a brief biography of the Town’s Director of Public Works/Town Engineer/District Manager.

R.J. Suokko, P.E., District Manager. R.J. Suokko has served as the Town’s Director of Public Works/Town Engineer/District Manager since October 2019. Prior to that, he was a Senior Civil Engineer with the Town, and with the County of Marin. He started his career as an Assistant Engineer with CSG Consultants Inc. He has a B.S. in Civil Engineering from University of California, Davis and is a Professional Engineer (P.E.).

The District Manager regularly meets and confers with the Town Manager on decision-making regarding the operations of the District, and the Town’s Finance Director serves as the chief financial officer of the District.

Employees. The District does not have any employees. Instead, it makes an annual payment to the Town for contract services provided by the Town. For each Town employee that provides services to the District, a percentage is used to allocate an appropriate share of such employee’s costs to the District. For Fiscal Year 2023-24, this percentage ranged from 7.5% to 90.0%. Based on the individual cost allocations, a total cost allocation for the District is prepared annually. The Town does not charge any pension or OPEB expense or liability to the District, however, the Town does include the normal cost of each employee’s salary when calculating the cost that the District will pay the Town for employees performing work on behalf of the District.

CalPERS Pension Plan

All qualified permanent and probationary employees of the Town are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (“Plan”) administered by the California Public Employees’ Retirement System (“CalPERS”). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous risk pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools; the Town sponsors 11 rate plans. Benefit provisions under the Plan are established by State statute and Town resolution.

The following information is primarily derived from information produced by CalPERS, its independent accountants and actuaries. None of the Town, the District, or the Underwriter has independently verified the information provided by CalPERS and makes no representations and expresses no opinion as to the accuracy of the information provided by CalPERS. The comprehensive annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS’ most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference herein. None of the Town, the District, or the Underwriter can guarantee the accuracy of such information. Actuarial assessments are “forward-looking” statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future.

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an actuarial basis, annually and is effective on July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Town is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2023, the Town recognized pension expense in the amounts of \$6,542,766 and \$7,508,579, for the Miscellaneous plans and Safety plans, respectively. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period. As noted above, the Town does not charge any pension expense or liability to the District,

however, the Town does include the normal cost of each employee's salary when calculating the cost that the District will pay the Town for employees performing work on behalf of the District.

In 2019, Town Council passed a resolution to establish a comprehensive strategy for the acceptance and accumulation of invested assets under the "Pension Stabilization Trust for California Municipalities Act." The Trust is used to accumulate and invest funds necessary to pay for future retiree benefits and to reduce the Town's future cash flow requirements. On June 30, 2023, the balance in this trust account was \$3,495,018.

Other Post-Employment Benefits (OPEB)

The Town provides retiree medical benefits to employees who retire directly from the Town and are eligible for a CalPERS pension. The amount and type of benefit is contingent upon date of hire. The obligation of the Town to contribute to the Plan is established and may be amended by the Town Council. For the 2021-22 fiscal year, measurement period, Payments made outside of the trust were \$1,546,508. Employees are currently not required to contribute to the plan. As noted above, the Town does not charge any OPEB expense or liability to the District.

In fiscal year 2019, the Town elected to begin prefunding its OPEB obligation through the use of an irrevocable trust established with the California Employers' Retiree Benefit Trust Fund (CERBT). This trust fund is an agent multiple-employer plan which is administered by the CalPERS Board of Administration. The trust is used to accumulate and invest funds necessary to pay for future retiree benefits and to reduce the Town's future cash flow requirements. On June 30, 2022, the measurement date, the balance in this trust account was \$4,392,680. CERBT is a tax qualified irrevocable trust, organized under Internal Revenue Code (IRC) Section 115, established to prefund retirement health benefits. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information for the Town, not individualizing, but in aggregate with the other CERBT participants. That report may be obtained by contacting CalPERS.

Insurance

The District has elected to be self-insured through the Town's Internal Service Funds to cover the cost of insurance policy deductibles. The Town charges the District a pro-rata share of expenses and claims. Any claims or liabilities of the District are reflected and reported in the Town's financial statements.

The Town participates in a joint powers agreement through the Bay Cities Joint Powers Insurance Authority ("**BCJPIA**"), which is a workers compensation and general liability risk pool. The Town currently reports all of its risk management activities in the General Fund and Governmental Activities. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. BCJPIA was created as a California Public Agency by an agreement between certain public agencies in the San Francisco Bay Area to provide vehicle, general liability, and workers compensation coverage. BCJPIA is governed by a Board of Directors which is comprised of officials appointed by each member Town, town or agency. The BCJPIA is an "account pool" as defined by Government Accounting Standards Board Statement No. 10. The BCJPIA manages separate accounts for each pool member. Losses and expenses are paid from these pools above the self-insured retention limit of \$250,000 per occurrence for the Town. The BCJPIA annually evaluates the financial risk cash position, less claims reserves, claims incurred but not reported (IBNR), and claims development of each member in the Primary Liability Program. The BCJPIA purchases

excess insurance above the \$2,000,000 limit for workers compensation, and above the \$30,000,000 limit for liability insurance, per occurrence. Financial statements may be obtained from BCJPIA, 1750 Creekside Oaks Drive, Suite 200, Sacramento, California 95833.

Audited Financial Statements

The District prepares its own audited financial statements, separate from the audited financial statements of the Town. A copy of the most recent audited financial statements of the District is attached as APPENDIX B.

Financial Policies

Reserve Policy. The Board of Directors of the District has adopted a reserve policy to reduce impacts from unforeseen events and allow for stability in case of economic uncertainty and other financial hardship. The current reserve policy, adopted in July 2021, sets a minimum reserve of \$2.5 million. This amount is in addition to all other reserves maintained by the Town, as well as the irrevocable Section 115 pension stabilization trust and OPEB trust maintained by the Town for retiree benefits.

Debt Management Policy. The Board of Directors of the District has adopted a debt management policy governing the incurrence and administration of debt, which complies with all California legal requirements.

Investment Policy. The Town Council periodically reviews and adopts or ratifies an investment policy in accordance with Section 53600 of the Government Code of the State of California (the "**Investment Policy**"). The Investment Policy also governs surplus cash and investments of the District. The Investment Policy sets forth the following objectives, in the following order of importance:

Safety: Safety and the minimizing of risk associated with investing refers to attempts to reduce the potential for loss of principal, interest or combination of the two. The Town invests only in those instruments that are considered very safe. Any investments other than the investment of funds in the California Local Agency Investment Fund (LAIF) are subject to advanced approval by the Town Council.

Liquidity: Liquidity refers to the ability to convert an investment to cash promptly with minimum risk of losing some portion of principal or interest. A portion of the portfolio should be maintained in liquid short-term securities which can be converted to cash if necessary to meet disbursement requirements.

Yield: Yield is the average annual return on an investment based on the interest rate, price, and length of time to maturity. The Town attempts to obtain the highest yield possible, provided that the basic criteria of safety and liquidity have been met.

Wastewater Customers and Revenues

Wastewater Customers. The following table shows the customers of the Wastewater System for the five most recent fiscal years, by classification of user.

Table 1
Sanitary District No. 2 of Marin County
Equivalent Dwelling Units (EDUs) Served by Classification of User
As of June 30

<u>User Type</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Single-Family Residential	3,621	3,626	3,759	3,797	3,861
Multi-Family Residential	1,044	1,042	844	666	672
Commercial/Industrial	1,392	1,396	995	1,192	1,528
Other (e.g., Governmental)	188	116	82	160	96
Totals	6,245	6,180	5,680	5,815	6,157

Source: The District.

Sewer Service Charge Revenues. The following table shows the sewer service charge revenues of the Wastewater System for the five most recent fiscal years, by classification of user.

Table 2
Sanitary District No. 2 of Marin County
Service Charge Revenues by Classification of User
As of June 30

<u>User Type</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Single-Family Residential	\$1,803,258	\$1,805,748	\$1,871,982	\$1,890,906	\$1,922,778
Multi-Family Residential	519,912	518,916	420,312	331,668	334,656
Commercial/Industrial	693,216	695,208	495,510	593,616	760,944
Other (e.g., Governmental)	93,624	57,768	40,836	79,680	47,808
Totals	\$3,110,010	\$3,077,640	\$2,828,640	\$2,895,870	\$3,066,186

Source: The District.

Top Ten Largest Wastewater Customers. The following table shows the top 10 largest customers of the Wastewater System for the five most recently completed fiscal year.

Table 3
Sanitary District No. 2 of Marin County
Ten Largest Users – By Sewer Service Charge
Fiscal Year 2023-24

User No.	User	Type of Account	EDUs	Service Charge Revenue	% of Service Charge Revenue ⁽¹⁾
1	Nordstrom	Commercial	178	\$92,628	3.02%
2	Bell Mt Tam	Commercial	162	80,676	2.63%
3	Corte Madera Town Center	Commercial	156	77,688	2.53%
4	Aegis Living	Commercial	120	59,760	1.95%
5	Marin RV Park	Commercial	113	56,274	1.84%
6	San Clemente Place	MultiFamily	80	39,840	1.30%
7	Madera Valley	MultiFamily	73	36,354	1.19%
8	Preserve At Marin Apt Homes	MultiFamily	73	36,354	1.19%
9	Corte Madera Town Center	Commercial	59	29,382	0.96%
10	Preserve At Marin Apt Homes	MultiFamily	54	26,892	0.88%
Totals			1,068	\$535,848	17.48%

(1) Based on total sewer service charge revenue for Fiscal Year 2023-24 of \$3,066,186 (unaudited).
Source: *The District*.

Wastewater Connection Fees

Both the Sanitation Agency and the District collect capacity fees for new connections. Capacity fees charged by the Sanitation Agency are collected by the District on its behalf.

Sanitation Agency Regional Capacity Charge. The Sanitation Agency collects a regional capacity charge of \$7,861.60 per service unit (as of July 1, 2024) for new connections or expansion of existing connections to the wastewater systems of its members. Capacity charges for new sewer connections (including commercial, public agency, nonprofit and all other users, except industrial and high strength users) connections are \$491.34 per plumbing fixture unit (as of July 1, 2024), while capacity charges for high strength users (including restaurants and bakeries) connections are \$1,149.76 per fixture unit (as of July 1, 2024).

District Connection Charge. The District imposes a sewer connection charge of \$2,103 per lateral (as of July 1, 2024).

Wastewater Rates and Charges

As noted above, the District engaged Raftelis to prepare the 2024 Rate Study, which was presented to the Board of Directors of the District, and approved in accordance with Proposition 218, in early 2024. Prior to that time, sewer service charges had not been increased since Fiscal Year 2009-10. The following table shows the current and adopted future wastewater rates.

**Table 4
Sanitary District No. 2 of Marin County
Annual Wastewater Rates Per EDU⁽¹⁾**

Sewer Charges	Fiscal Year 2024-25	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2027-28	Fiscal Year 2028-29
Fixed Annual Charge	\$697.00	\$906.10	\$1,087.32	\$1,174.31	\$1,233.02

(1) Includes amounts payable by the District to the Sanitation Agency for regional wastewater treatment. There is no separate the Sanitation Agency sewer service charge billed to District customers. Single-family residential customers are charged for 1 equivalent dwelling unit (EDU); other customers may be higher.

Source: *The District*.

Assignment of Sewer User Units (EDUs). Title 21 of the Corte Madera Municipal Code sets forth the process for assignment of sewer user units (also known as EDUs) to parcels connected to the wastewater system. The process is described as follows:

- A single-family residence is assigned 1.0 sewer user unit, a multiple-family residential dwelling is assigned 1.0 sewer user unit per dwelling unit, and a residential apartment is assigned the number of sewer user units that is the greater of the following calculations: (1) the percentage of occupancy of the residential apartment multiplied by the number of rooms available to rent on December 31st of the applicable year; or (2) the winter consumption units for the residential apartment reported by the Marin Municipal Water District during the winter of the applicable year multiplied by .05 (i.e., bimonthly water consumption reading multiplied by one hundred divided by two divided by one thousand).
- For mobile homes/trailer courts, 0.80 sewer user units will be assigned to each rental space provided with a sewer hook-up for a trailer intended to be fixed in the same space for six months or more; and 0.25 sewer user units will be assigned to each rental space provided with a sewer hook-up for a transient trailer, camper or camping trailer.
- For hotels/motel, 0.25 sewer user units shall be assigned to each guest room or suite contained in a hotel or motel.
- For premises other than dwelling units, sewer user units shall be assigned based on the sewage discharge and strength of the premise. The winter water use for each nonresidential user shall be divided by one thousand cubic feet per month, which is deemed to be the average winter season residential use for the base year, to determine the sewer user units to be assigned. Sewer user units as calculated above shall be rounded to the nearest integer (not less than one)

Collection of Charges on Tax Roll; Teeter Plan. The Board of Directors of the District annually submits a written report to the Marin County Tax Collector which contains a description of each parcel receiving sewer service and the amount of the charge for each parcel for such fiscal year, in conformance with Chapter 21.40 of the Corte Madera Municipal Code (except for governmental agencies which are billed directly). The charge appears as a separate item on the tax bill, and is collected at the same time and in the same manner as ordinary County ad valorem property taxes, and is subject to the same penalties and the same procedure and sale in case of delinquency as provided for such taxes. If the District determines that a user is exceeding the use for which the user is charged on its tax bill, the District may impose an additional service charge.

In accordance with Section 5473 of the Health and Safety Code, the sewer user service charge collected by the County tax collector constitutes a lien against the property. Payments of sewer user service charges not made by the dates general property taxes are due are subject to a basic penalty of 10% of the unpaid amount plus one and one-half of one percent per month of the unpaid amount plus basic penalty in accordance with Health and Safety Code Section 5473.10.

Sewer service charges are billed and collected on behalf of the District by the County as a separate component of semi-annual property tax billings. Property taxes are due in equal installments on November 1 and February 1, and become delinquent if not paid by December 10 and April 10. In accordance with Teeter Plan (described below), the County remits to the District the full amounts of all charges which are assessed and the County retains collections of any past due amounts. See “– Historical Delinquencies; Teeter Plan.”

Collection of Charges via Hand-Billing. For all properties that are connected to the District’s wastewater system but are not included on the County property tax roll, the property owner is directly billed by the District on or after February 1st of each year for the annual sewer user service charge and related fees in the amount set by the Board. Said charges and fees billed by the District are payable in one lump sum directly to the District and become due 90 days after the date of the billing. A twelve percent per annum rate of interest applies to any delinquent balance of charges and/or related fees.

Comparison of Sewer Service Rates. The table below sets forth a comparison of the average monthly wastewater billings of the District for a single family residential user to those of similar wastewater service providers for Fiscal Year 2023-24.

**Table 5
Sanitary District No. 2 of Marin County
Comparative Wastewater Rates
Fiscal Year 2023-24**

<u>Sewer Provider Name</u>	<u>Annual Charge</u>
Novato SD (Average water user)	\$698.00
The District	699.00 ⁽¹⁾
Richardson Bay SD	826.00
San Rafael SD	860.64
Sausalito Marin City SD	999.00
Ross Valley SD (Ross Valley zone)	1,212.00
Las Gallinas SD	1,233.00
Novato SD- High Use	1,247.00
Homestead Valley SD	1,375.00
Alto SD	1,500.00
Ross Valley SD (Larkspur zone)	1,712.00
Mill Valley	1,832.35
Tiburon SD	1,848.00
Tamalpais Community SD	2,209.44

(1) The District’s charge is inclusive of the \$2 customer billing and collection charge.
Source: *The District*.

Property Tax Revenues

Overview. The District receives a portion of the County-wide 1% ad valorem property tax levy from most, but not all, of the customers in its service area. Property taxes for the District have been collected since the time of District formation. The property tax collected on behalf of the District is limited to a maximum total levy, which is adjusted annually based on a cost of living factor and a population factor in accordance with Article XIII B of the California Constitution. The District requests an allocation of property tax revenues, up to the maximum, each year by resolution. Property taxes are collected by the County as a part of the County's 1% general levy.

Historical Assessed Valuations. The following table sets forth the historical assessed values for taxable property in the District for the fiscal years shown.

Table 6
Sanitary District No. 2 of Marin County
Historical Assessed Valuations
Past Ten Fiscal Years

Fiscal Year	Secured	Utility	Unsecured	Total	Percentage Change
2014-15	\$3,336,041,533	\$1,042,174	\$143,208,626	\$3,480,292,333	--
2015-16	3,608,851,185	1,042,174	157,717,541	3,767,610,900	8.3%
2016-17	3,870,053,295	1,042,174	173,200,758	4,044,296,227	7.3
2017-18	4,100,668,782	1,042,174	188,151,836	4,289,862,792	6.1
2018-19	4,318,556,874	1,086,822	188,175,891	4,507,819,587	5.1
2019-20	4,527,885,035	1,086,822	198,429,079	4,727,400,936	4.9
2020-21	4,756,629,884	1,086,822	236,681,218	4,994,397,924	5.6
2021-22	4,968,962,742	1,086,822	218,548,450	5,188,598,014	3.9
2022-23	5,327,065,540	1,232,308	206,481,109	5,534,778,957	6.7
2023-24	5,631,627,703	1,232,308	216,447,632	5,849,307,643	5.7

Source: California Municipal Statistics.

Historical Property Tax Collections. The following table shows the property tax collections for the District for the fiscal years shown.

Table 7
Sanitary District No. 2 of Marin County
Property Tax Collections
Past Five Fiscal Years

Fiscal Year	Property Tax Collections	Percentage Change
2019-20	\$3,523,798	3.3%
2020-21	3,719,195	5.5
2021-22	3,981,260	7.0
2022-23	4,239,909	6.5
2023-24 ⁽¹⁾	4,352,035	2.6

(1) Estimated.

Source: The District.

Top Twenty Secured Taxpayers. The following table shows the largest property taxpayers within the District for Fiscal Year 2023-24.

**Table 8
Sanitary District No. 2 of Marin County
Largest Local Secured Taxpayers
Fiscal Year 2023-24**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2023-24 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1.	Corte Madera Village LLC	Commercial	\$176,606,390	3.14%
2.	BCF I TAM Ridge LP	Apartments	158,778,274	2.82
3.	770 Tamalpais Dr. Inc.	Commercial	114,179,182	2.03
4.	BMSH II Corte Madera CA LLC	Commercial	83,181,000	1.48
5.	Aimco Madera Vista LLC	Apartments	73,546,181	1.31
6.	Nordstrom Inc.	Commercial	64,447,282	1.14
7.	G&I X RH - Paradise Point LP	Commercial	42,839,999	0.76
8.	Larkspur Real Estate Partners	Commercial	35,211,207	0.63
9.	CM Marketplace LLC	Commercial	26,391,499	0.47
10.	800 Corte Madera Holdings LLC	Single-Family Residential	23,769,960	0.42
11.	Reis Family LLC	Commercial	20,795,870	0.37
12.	Macys Primary Real Estate Inc.	Commercial	17,354,154	0.31
13.	A & L Paradise LLC	Commercial	16,367,776	0.29
14.	NCP Commercial LLC	Commercial	16,151,700	0.29
15.	NCP Multifamily LLC	Apartments	15,809,743	0.28
16.	Theodore J. Stevens Trust	Commercial	13,156,021	0.23
17.	Dragon 22 LLC	Single-Family Residential	10,521,247	0.19
18.	Aimco Robin Drive LP	Single-Family Residential	9,840,817	0.17
19.	Pia DeLeon	Single-Family Residential	9,304,650	0.17
20.	201 Casa Buena Associates	Commercial	<u>9,202,453</u>	<u>0.16</u>
			<u>\$937,455,405</u>	<u>16.65%</u>

(1) 2023-24 Local Secured Assessed Valuation: \$5,631,627,703

Source: California Municipal Statistics.

Property Tax Limitations; Article XIII A of the California Constitution. California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property to mean “the county assessor’s valuation of real property as shown on the 1975/76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors. The amendment further limits the amount of any ad valorem tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII A was adopted in June 1986 by initiative which exempts any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property from the 1% limitation.

Classifications of Property. In California, property which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” Secured and unsecured properties are entered on

separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by the County becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against the taxes on unsecured property, but may become a lien on certain other property owned by the taxpayer.

The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured property taxes in the absence of timely payment by the taxpayer: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts and an order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of the personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of property securing the taxes to the State for the amount of taxes which are delinquent. A 10% penalty also applies to delinquent taxes on property on the unsecured roll, and further, an additional penalty of 1 ½% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

The valuation of property is determined as of January 1 each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due August 1 and become delinquent August 31.

Unitary Property. Commencing in fiscal year 1988-89, the Revenue and Taxation Code of the State of California changed the method of allocating property tax revenues derived from State assessed utility properties. It provides for the distribution of State assessed values to tax rate areas by a County-wide mathematical formula rather than assignment of State assessed value according to the location of those values in individual tax rate areas. The assessed value of all unitary property in the County has been assigned to this tax rate area and one tax rate is levied against all such property ("**Unitary Revenues**").

The property tax revenue derived from the assessed value assigned to the County-wide tax rate area shall be allocated as follows: (1) each jurisdiction will be allocated up to 2% of the increase in Unitary Revenues on a pro rata basis county-wide; and (2) any decrease in Unitary Revenues or increases less than 2%, or any increase in Unitary Revenues above 2% will be allocated among jurisdictions in the same proportion of each jurisdiction's Unitary Revenues received in the prior year to the total Unitary Revenues county-wide. However, Counties must also transfer certain railroad properties into a countywide tax rate area from their existing tax rate area. Taxes on these properties are now distributed in a manner similar to other unitary properties, except that redevelopment agencies no longer share in the distribution.

Assessment Appeals. An assessee of locally assessed or State-assessed property may contest the taxable value enrolled by the county assessor or by the State Board of Equalization ("**SBE**"), respectively. The assessee of SBE-assessed property or locally-assessed personal property, the valuation of which is subject to annual reappraisal, actually contests the determination of the full cash value of property when filing an assessment appeal. Because of the limitations to the determination of the full cash value of locally assessed real property by Article XIII A, an assessee of locally assessed real property generally contests the original determination of the base assessment value of the parcel, i.e. the value assigned after a change of ownership

or completion of new construction. In addition, the assessee of locally assessed real property may contest the current assessment value (the base assessment value plus the compounded annual inflation factor) when specified conditions have caused the full cash value to drop below the current assessment value.

At the time of reassessment, after a change of ownership or completion of new construction, the assessee may appeal the base assessment value of the property. Under an appeal of a base assessment value, the assessee appeals the actual underlying market value of the sale transaction or the recently completed improvement. A base assessment appeal has significant future revenue impact because a reduced base year assessment will then reduce the compounded value of the property prospectively. Except for the 2% inflation factor allowable under Article XIII A, the value of the property cannot be increased until a change of ownership occurs or additional improvements are added.

Under Section 51(b) of the Revenue and Taxation Code, the assessor may place a value on the tax roll lower than the compounded base assessment value if the full cash value of real property has been reduced by damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in the value. Reductions in value under Section 51(b), commonly referred to as Proposition 8 reductions, can be achieved either by formal appeal or administratively by assessor staff appraising the property. A reduced full cash value placed on the tax roll does not change the base assessment value. The future impact of a parcel subject to a Proposition 8 appeal is dependent upon a change in the conditions which caused the drop in value. In fiscal years following a successful Proposition 8 appeal, the assessor may determine that the value of the property has increased as a result of corrective actions or improved market conditions and enroll a value on the tax roll up to the parcel's compounded base assessment value. Additionally, successful appeals regarding property on the unsecured rolls does not necessarily affect the valuation of such property in any succeeding fiscal year. Utility companies and railroads may contest the taxable value of utility property to the SBE. Generally, the impact of utility appeals is on the State-wide value of a utility determined by SBE. The actual valuation impact to the District from successful assessment appeals will occur on the assessment roll prepared after the actual valuation reduction.

Historical Delinquencies; Teeter Plan

Historical Delinquencies. The following table sets forth the secured tax charge (consisting of the wastewater charge only) and collections for the fiscal years shown. The charges are collected by the County pursuant to its Teeter Plan, which means the District receives 100% of the property tax levied, without regard to delinquencies. See “–Teeter Plan,” below.

Information regarding property tax delinquencies are not available from California Municipal Statistics.

Table 9
Sanitary District No. 2 of Marin County
Secured Tax Charge Levies and Delinquencies
Past Five Fiscal Years⁽¹⁾

Fiscal Year	Secured Tax Charge	Amount Delinquent June 30	% Delinquent June 30
2018-19	\$2,977,898.00	\$10,250.00	0.34%
2019-20	3,492,890.00	17,488.00	0.50
2020-21	3,062,116.00	55,582.00	1.82
2021-22	2,839,805.66	16,744.00	0.59
2022-23	2,876,377.00	12,498.00	0.43

(1) Wastewater charges only. The taxes are collected by the County pursuant to its Teeter Plan, which means the District receives 100% of the property tax levied, without regard to delinquencies. Source: *California Municipal Statistics*.

Teeter Plan. The Board of Supervisors of Marin County has adopted the “Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds” (the “**Teeter Plan**”), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. The Teeter Plan provides for the allocation and distribution of property tax levies and collections and of tax sale proceeds. Under this method, the County pays the District 100% of property tax due to the District and retains any penalties or delinquencies collected to offset such gross payment. There can be no assurance that the County will not discontinue the Teeter Plan or remove the District, or the property tax payable to the District, from the Teeter Plan in the future.

Capital Improvement Program (CIP)

The 2023 SMP and 2024 Rate Study anticipate significant expenditures on capital improvement projects for the District. These projects are specified in the District’s capital improvement program (CIP), which is updated from time-to-time. The District’s current 5-year CIP is set forth in the following table.

Table 10
Sanitary District No. 2 of Marin County
Capital Improvement Program
Fiscal Years 2024-25 through 2028-29)

Project	2024-25	2025-26	2026-27	2027-28	2028-29
Gravity, Pump Station & Force Main	\$12,815,400	\$6,900,600	\$8,918,914	\$9,883,143	\$2,627,003
Vactor Truck	572,400	--	--	--	--
PSL Grant Program ⁽¹⁾	1,089,248	1,089,248	1,089,248	1,089,248	1,089,248
Totals	\$14,477,048	\$7,989,848	\$10,008,162	\$10,972,390	\$3,716,251

(1) PSL Grant Program provides grants to customers to replace sewer laterals. Source: *The District*.

Historical Operating Results

The following table is a summary of operating results for the District for the last five fiscal years for which audited financial statements are available, based thereon. The District did not have any outstanding long-term debt during the period shown and, accordingly, there is no debt service coverage ratio.

Table 11
Sanitary District No. 2 of Marin County
Historical Operating Results and Debt Service Coverage
Fiscal Years 2018-19 through 2022-23

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Gross Revenues					
Charges for Services	\$3,050,716	\$2,977,371	\$3,207,792	\$2,841,560	\$2,891,162
Other Operating Revenue	87,070	85,222	84,812	122,351	67,542
Property Tax Assessments	3,410,344	3,523,798	3,719,195	3,981,260	4,239,909
Investment Income	297,857	240,239	64,016	36,805	169,326
Other Non-Operating Revenues	7,522	0	42,256	0	0
Total Gross Revenues	6,853,509	6,826,630	7,118,071	6,981,976	7,367,939
Operating Expenses⁽¹⁾					
Treatment and Disposal ⁽²⁾	972,624	993,458	1,030,384	1,127,450	1,245,681
Collection Maintenance and Repairs	603,181	1,375,190	1,335,324	1,222,452	1,569,734
Pump Station Maintenance	573,695	575,837	456,321	362,515	451,255
Utilities	127,660	185,394	220,229	177,396	249,315
General and Administrative	113,509	175,576	234,538	262,425	394,462
CMSA Debt Service Commitment ^{(2) (3)}	581,163	580,303	578,793	668,608	668,157
Total Operating Expenses	2,971,832	3,885,758	3,855,589	3,820,846	4,578,604
Net Revenues	3,881,677	2,940,872	3,262,482	3,161,130	2,789,335
Parity Debt	0	0	0	0	0
Debt Service Coverage	N/A	N/A	N/A	N/A	N/A

(1) Excludes non-cash items (i.e., depreciation, GASB adjustments, etc.) and capital expenses.

(2) In Fiscal Years ending 2022 and 2023, the categories "Treatment and Disposal" and "CMSA Debt Service Commitment" together match the total "Treatment and Disposal" in the corresponding audit. Such categories have been separated out in the table above.

(3) Per a Debt Service Payment Agreement between Central Marin Sanitation Agency (CMSA) and the JPA members, the District is obligated to pay approximately 11.7% of CMSA debt service, plus an additional 25% debt coverage payment.

Source: *The District*.

Projected Operating Results and Debt Service Coverage

The following table shows estimated, budgeted and projected operating results and debt service coverage ratios for the District for Fiscal Years 2023-24 through 2028-29, as shown. The fiscal forecast represents the District's estimate of budgeted and projected financial results based upon its judgment of the most probable occurrence of certain important future events, including those set forth in the footnotes to the table. Actual operating results achieved during the budgeted and projection period may vary from those presented in the forecast, and such variations may be material. The District's budgets and projections of Net Revenues in this Official Statement include assumptions regarding rate increases in the future. In particular, the budgets and projections of Net Revenues are based on the recently-adopted rate study, which rates were adopted in

accordance with Proposition 218. See “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES – Proposition 218” and “RISK FACTORS – Proposition 218” for a description of Proposition 218 and related risk factors.

Table 12
Sanitary District No. 2 of Marin County
Estimated, Budgeted and Projected Operating Results and Debt Service Coverage
Fiscal Years 2023-24 through 2028-29

	Estimated FY 2023-24	Budget FY 2024-25	FY 2025-26	Projected		FY 2028-29
				FY 2026-27	FY 2027-28	
Gross Revenues						
Charges for Services ⁽¹⁾	\$3,168,029	\$4,143,959	\$5,387,147	\$6,464,576	\$6,981,742	\$7,330,829
Other Operating Revenue ⁽²⁾	89,598	75,000	76,500	78,030	79,591	81,182
Property Tax Assessments ⁽²⁾	4,362,282	4,483,000	4,572,660	4,664,113	4,757,395	4,852,543
Investment Income ⁽³⁾	255,607	150,000	151,500	153,015	154,545	156,091
Other Non-Operating Revenues ⁽²⁾	0	0	0	0	0	0
Total Gross Revenues	7,875,516	8,851,959	10,187,807	11,359,734	11,973,273	12,420,646
Operating Expenses⁽⁴⁾						
Treatment and Disposal ^{(5) (10)}	1,428,634	1,273,873	1,331,197	1,391,101	1,453,701	1,519,117
Collection Maintenance and Repairs ⁽⁶⁾	1,649,004	2,180,713	2,246,134	2,313,518	2,382,924	2,454,412
Pump Station Maintenance ⁽⁷⁾	457,010	536,418	563,239	580,136	597,540	615,466
Utilities ⁽⁸⁾	371,796	400,000	420,000	441,000	463,050	486,203
General and Administrative ⁽⁷⁾	455,938	668,925	702,371	723,442	745,146	767,500
CMSA Debt Service Commitment ⁽⁹⁾⁽¹⁰⁾	664,825	664,710	657,801	665,287	658,617	658,653
Total Operating Expenses	5,027,207	5,724,639	5,920,743	6,114,485	6,300,977	6,501,351
Net Revenues	2,848,309	3,127,320	4,267,064	5,245,250	5,672,296	5,919,295
Parity Debt						
2024 Revenue Certificates of Participation*	0	394,821	594,900	597,400	594,400	596,150
2026 Revenue Certificates of Participation ⁽¹¹⁾	0	0	0	394,821	594,900	597,400
Total Debt Service*	0	394,821	594,900	992,221	1,189,300	1,193,550
Debt Service Coverage*	N/A	7.92	7.17	5.29	4.77	4.96

* Preliminary; subject to change.

(1) Charges for Services increase in Fiscal Years 2025-26 through 2028-29 in accordance with the Rate Study.

(2) Other Operating Revenue, Property Tax Assessments and Other Non-Operating Revenue increase 2% annually in Fiscal Years 2025-26 through 2028-29.

(3) Investment Income increases 1% annually in Fiscal Years 2025-26 through 2028-29.

(4) Excludes non-cash items (i.e., depreciation, GASB adjustments, etc.) and capital expenses.

(5) Treatment and Disposal increases 4.5% annually in Fiscal Years 2025-26 through 2028-29.

(6) Collection Maintenance and Repairs increases 3% annually in Fiscal Years 2025-26 through 2028-29.

(7) Pump Station Maintenance and General Administrative increase 5% annually in Fiscal Year 2025-26 and 3% annually in Fiscal Years 2026-27 through 2028-29.

(8) Utilities increases 5% annually in Fiscal Years 2025-26 through 2028-29.

(9) Per a Debt Service Payment Agreement between Central Marin Sanitation Agency (CMSA) and the JPA members, the District is obligated to pay approximately 11.7% of CMSA debt service, plus an additional 25% debt coverage payment. The projections in the table above assume CMSA does not issue additional debt beyond CMSA's outstanding 2015 Refunding Revenue Bonds and 2020 Revenue Bonds.

(10) In Fiscal Years ending 2022 and 2023, the categories "Treatment and Disposal" and "CMSA Debt Service Commitment" together match the total "Treatment and Disposal" in the corresponding audit. Such categories have been separated out in the table above.

(11) 2026 Revenue Certificates of Participation assume dated/delivery 2 years after 2024 Revenue Certificates of Participation in similar principal amount and with similar market conditions. Any such issuance is subject to the discretion of the Board of the District and may not occur on the terms currently anticipated.

Source: The District.

RISK FACTORS

The following information should be considered by prospective investors in evaluating the Certificates. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Certificates. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

The purchase of the Certificates involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and interest on the Certificates. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors.

Net Revenues; Rate Covenant

Net Revenues are dependent upon the demand for wastewater services, which can be affected by population growth factors, wastewater regulations, problems with the Wastewater System and other factors. There can be no assurance that wastewater service demand will be consistent with the levels contemplated in this Official Statement. A decrease in demand could require an increase in rates or charges in order to comply with the rate covenants contained in the Installment Sale Agreement. The District's ability to meet its rate covenants is dependent upon its capacity to increase rates without driving down demand to a level insufficient to make the Installment Payments and pay debt service on any Parity Debt.

Projections

The projections in this Official Statement are not necessarily indicative of future performance. In addition, certain assumptions with respect to future business and financing decisions of the District are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the Certificates are cautioned not to place undue reliance upon any projections or requirements for projections. If actual results are less favorable than the results projected or if the assumptions used in preparing such projections prove to be incorrect, the amount of Net Revenues may be materially less than expected and consequently, the ability of the District to make timely payment of the Installment Payments may be materially adversely affected.

Neither the District's auditor, nor any other independent accountants nor the Municipal Advisor have compiled, examined or performed any procedures with respect to the Net Revenues forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Net Revenues forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Net Revenue forecast.

Risks Related to Facilities and Operations

The operation of the Wastewater System and physical condition of the facilities of the Wastewater System are subject to a number of risk factors that could adversely affect the reliability of wastewater service or increase the operating expenses of the Wastewater System. Prolonged damage to the facilities of the Wastewater System could interrupt the ability of the

District to realize revenues sufficient to pay Installment Payments, require substantial increases in rates or charges in order to comply with the rate covenant in the Installment Sale Agreement, or require the District to increase expenditures for repairs significantly enough to adversely impact the District's ability to pay Installment Payments and pay debt service on any Parity Debt.

These factors could include, among others, the following.

Aging Facilities. Many of the facilities of the Wastewater System are aged and in need of replacement or refurbishment. Long-lived facilities result in decreased reliability due to planned and unplanned outages and place a greater maintenance burden on the District's operations. In addition, the net proceeds of the Certificates will be used to repair and replace some of the District's most important facilities, which increases the risks of outages, accidents and other issues to the Wastewater System.

Statutory and Regulatory Compliance. The operation of the Wastewater System is subject to a variety of federal and State statutory and regulatory requirements. Any failure by the District to comply with applicable laws and regulations could result in significant fines and penalties.

Geologic Hazards. The topography of the land within the District is varied, from the lowlands along the edge of the San Francisco Bay to the steeply sloping hillsides of residential neighborhoods. The Town's General Plan identifies the following geologic hazards located within the Town (and, accordingly, within the District):

Slope Failure. The major geologic- and soils-related hazards in the Town are hill slope failure and static settlement of soils. Potential for hill slope failure, or landslide, depends upon the geologic composition of a slope. Certain combinations of rocks and soils are more stable than others, and hill slope failure can occur without an earthquake. Landslides involve the downslope movement of soil and rock; earthquake-induced landslides will most likely occur in the same areas where landslides are caused by other conditions. Unstable slopes and soils subject to static settlement can become more acute during an earthquake. The slopes of the Tiburon Peninsula Ridge, located east of Highway 101, are among the least stable areas. Changes made by man, such as excavating too steeply, undercutting slopes, or placing fills or structures on unstable slopes, may also induce landsliding. A large landslide was induced west of Highway 101 by excavating Alto Hill during construction of the highway. Scattered landslides have also occurred in the upland areas west of Highway 101. Regional landslide mapping has indicated the presence of extensive slope stability hazards in the Town, with the hazard typically more pronounced on steeper slopes. The hazards can include relatively large, loose debris flows.

Subsidence. Static settlement, or subsidence, is a safety hazard in the lowland areas of the Town. Much of the Town was built on fill deposited on Bay lands, such as marsh or tidelands. Bay Mud is soft, unconsolidated and water-saturated clay that becomes compact under the weight of fill and urban development. Bay Mud has severe stability problems because the mud is highly compressible. When fills are placed over thick Bay Mud deposits, large amounts of settlement can take place over long periods of time. Subsidence of Bay Mud is an on-going condition. This subsidence can subject low-lying areas to frequent flooding due to differential settlement. Indeed, subsidence is one of the major contributing factors to the steadily increasing flood hazard of the Town. The primary influence on the amount of subsidence at a given location is the thickness of the

underlying Bay Mud. The thicker the Bay Mud layer, the longer consolidation will take place with a greater amount of subsidence. Bay Mud varies in thickness, so the amount of settlement varies between areas. Differential settlement of Bay Mud in the Town has resulted in reconstruction of streets, sidewalks, storm sewers, sanitary sewers, and periodic maintenance of sewers and streets.

Seismic Hazards. The Town is relatively close to known active earthquake faults, including the San Andreas, Hayward, and Calaveras Faults. The Town is approximately 8 miles northeast of the San Andreas Fault zone and 11 miles southwest of the Hayward Fault zone. While high magnitude earthquakes along these faults can be felt and can cause damage, there are no direct reports of damage in the Town as a result of major quakes. There are no known active faults in the Town, making ground rupture an unlikely hazard. Nevertheless, the intense ground shaking poses a significant threat to life and property. A critical factor affecting the intensity of ground shaking is the geologic material underneath a site. Deep, loose soils, such as the clays and Bay Mud prevalent in the lowland areas of Town, will amplify and prolong the shaking. The type of rock that least amplifies ground shaking is granite. Ground shaking can be several times greater on sites underlain by weak sediments, like Bay Mud, than on bedrock. Losses from shaking can occur where tall structures are built on thick, soft sediments. Damage from shaking is also influenced by the structural integrity of buildings before an earthquake. Damage to buildings and utilities in the Town is likely to be greatest on those sites underlain by deep, loose, compressible deposits such as Bay Mud. These areas include the lowland residential neighborhoods built on fill. Ground failure is a secondary effect of ground shaking and can include landslides, liquefaction, lurching, and differential settlement. Liquefaction occurs when saturated and poorly consolidated granular material is shaken during an earthquake and is transformed into a fluid-like state. Buildings can tilt or sink, utility lines can rise to the surface, and levees can fail. If soils are poorly consolidated, the ground can subside. The Town faces the hazardous potential for liquefaction of man-placed fill and Bay Mud sediments. Neighborhoods built on filled Bay Mud are the most susceptible. The Town typically requires geotechnical investigations for new development, including single-family residences. Mitigation for new construction often includes installation of deep foundation support piers (anchored to bedrock), installation of appropriate drainage improvements around a structure, and seismic design pursuant to the Uniform Building Code.

Flooding. Flooding in the Town generally occurs as a result of storm runoff in low-lying areas. The extent of flooding is not life threatening, typically impacting culverts, channels and other drainage facilities. The Town continues to respond to flooding issues through a wide range of facility improvements and in addressing storm drainage impacts from new development. In many respects, differential subsidence of streets, curbs, gutters and sidewalks, and not the drainage system per se, result in some of the Town's most pressing flooding problems. Since long-term corrective actions are either infeasible or unavailable, the flooding problems associated with Town development atop Bay Muds is expected to remain. Policy approaches in response to differential settlement therefore tend to focus upon short-term solutions, such as continued repairs to existing improvements.

Flooding in the Town is generally the result of extreme high tides, storm water runoff and, in certain locations, inadequate drainage channels and systems, and inadequate levees. When tides are high, floodwater cannot drain into the San Francisco Bay. Steep hills south and west of the Town also contribute to the flooding problem

whenever there is severe rain due to inadequate drainage facilities. There are also waterways that contribute to flooding within the Town. Factors that affect flooding in the bayside area of the Town are precipitation, tides, sea level rise, sedimentation, land subsidence and substandard drainage design. Bayside streets flood at certain places during extremely high tides, including those created by a “storm surge,” or when high tides combine with storm driven waves, rainwater runoff, or both. Tidal influences are exacerbated during the winter when prolonged high winds and low barometric pressure raise the water level along the Pacific Coast. The bayside developments of Mariner Cove and Marina Village are experiencing subsidence from being built on five to ten feet of fill over San Francisco Bay Mud. The land is sinking faster than predicted when the developments were built 40 to 50 years ago. As a result, some areas have subsided to elevations that are expected to flood during a 100-year storm event.

The Federal Emergency Management Agency (FEMA) Flood Insurance Study for Corte Madera (1977) determined that all floods of any consequence in the Town have occurred in the low areas that have been “reclaimed” from the San Francisco Bay’s marsh and tidal lands. The worst flooding in the Town occurred in 1982, when San Clemente Drive was closed as flood waters covered the roadway. In the mid-1980s, the Town partnered with the U.S. Army Corps of Engineers to study the possibility of a “permanent” solution to certain types of flooding in the area. The project identified to resolve the flooding problem is now known as the Tidal Protection Project. This project, selected from various alternative solutions, consists of an offshore tidal barrier with a lock, pumps, and tidal exchange gate. The Tidal Barrier Project is still in the study phase and has not progressed for several years, due to opposition from local environmental groups, concern from homeowners, lack of funding, and difficulty in attaining land suitable to mitigate the loss of the required 18 acres of wetland habitat for environmental mitigation.

The Town is addressing flooding conditions through a variety of efforts. For example, the Town requires all new buildings in Special Flood Hazard Areas to be built with finished floors one foot above flood elevations established by FEMA. The ordinance requires individual development projects to complete a detailed hydrologic study prior to Town issuance of development permits. These studies are aimed at identifying downstream areas that experience localized flooding, detailing potential impacts that proposed projects could create on these areas, and identifying both on- and off-site mitigation measures that would be required to prevent these impacts.

Wildfire. In recent years, California has experienced numerous severe wildfire events, destroying structures and resulting in fatalities. Hillside areas of the Town are particularly susceptible to wildfire risks. Wildfires may damage District equipment and/or homes that could result in reduced revenues for the District.

Sea Level Rise/Climate Change. Climate change and sea level rise anticipated to impact communities along the San Francisco Bay may adversely impact the District and its finances. The impacts of climate change are not yet fully known, but are expected to include increased risks and severity of droughts, flooding, wildfires, and sea level rise, all of which could have a material adverse impact on the District and its finances. In December 2020, the Town Council adopted a 2020 Climate Action Plan, which updated an earlier climate action plan from 2018. The 2020 Climate Action Plan identifies actions that each sector of the Corte Madera community can take to address climate change, as well as steps toward assessing, planning, mitigating and adapting to climate change impacting the Town and the region.

In addition, in 2019, the Town began the process of developing a Climate Adaptation Plan (subsequently termed the Climate Adaptation Assessment) focused on enhancing the resiliency of the Town and its assets against climate change, and providing the necessary framework for the Town to make critical decisions that address the extensive range of climate change-related risks. The Climate Adaptation Assessment was completed in May 2021 and specifies various risks of climate change on the Town and its facilities, which would include the District and its facilities, some, but not all of which, are described above. The Climate Adaptation Assessment is available on the Town's website, which website is not incorporated herein.

The Town and the District are also part of a Marin County Multi-Jurisdictional Hazard Mitigation Plan, dated 2023 and adopted in 2024. The Hazard Mitigation Plan highlights many potential hazards to the District's facilities and service area, including aging facilities, geological hazards including flooding, earthquake, tsunami, wildfire and others, and potential impacts from climate change and sea-level rise.

In May 2024, the Marin County Civil Grand Jury issued a report describing potential impacts of sea level rise on land within the County, including the Town/District, which included potentially significant damages and losses to commercial and residential properties as well as public and private infrastructure. In a response, the Town acknowledged certain potential impacts of sea level rise, while disagreeing on potential mitigation approaches described in the report.

The occurrence of any of the items described in the aforementioned plans and reports could have a material adverse impact on the District's finances, and the timely payments of the Certificates.

Expenses of the Wastewater System; Additional Sanitation Agency Payments

There can be no assurance that Operation and Maintenance Costs of the Wastewater System will be consistent with the levels described in this Official Statement. In particular, the District must make payments to the Sanitation Agency pursuant to the Sanitation Agency JPA Agreement and Sanitation Agency Payment Agreement. All payments payable by the District under the Sanitation Agency JPA Agreement and under the Sanitation Agency Payment Agreement and similar agreements related to long-term debt obligations issued or incurred by the Sanitation Agency are payable from Gross Revenues as part of "Operation and Maintenance Costs" of the District – meaning, they will be paid prior to payments on the Installment Payments. The Sanitation Agency has in the past issued long-term debt obligations, for which payments are required to be made by the District as "Operation and Maintenance Costs" of the District. Additional long-term debt obligations may be issued or incurred by the Sanitation Agency in the future, thereby reducing Net Revenues available to pay the Installment Payments securing the Certificates.

In addition, increases in the cost of energy, increases in operating costs and other expenses payable by the District as "Operation and Maintenance Costs" will reduce Net Revenues available to pay the Installment Payments. The District's ability to adopt rate increases to pay its expenses is subject to Proposition 218 and other factors; the inability to or failure to adopt rate increases could increase the likelihood of nonpayment.

Risks Related to Membership in Sanitation Agency

The District provides sewer treatment and disposal facilities through the Sanitation Agency, a joint exercise of powers agency, comprised of three members: (1) the District, (2) SRSD

and (3) RVSD. The District provides one of the five members of the governing board of the Sanitation Agency, with SRSD and RVSD each having two members on governing board. Under the Sanitation Agency JPA Agreement, the Sanitation Agency has the right to collect amounts from the members (including the District) to operate its wastewater treatment system, including repaying debt service on bonds issued by the Sanitation Agency. Under the Sanitation Agency Payment Agreement, the Sanitation Agency and the members (including the District) agree that the “Payments” (defined as a share of the amount needed for the Sanitation Agency to pay debt service on its outstanding bonds, plus amounts required to satisfy the rate covenant for those bonds (125% of annual debt service)) shall be considered and treated as an operating expense of each member – i.e., payable prior to the Installment Payments. In addition, through contractual agreement, the Sanitation Agency provides the District operation and maintenance service for its sewage collection pump stations, which costs are payable as operating expenses of the District – i.e., payable prior to the Installment Payments. Accordingly, the District’s relationships with the Sanitation Agency and the two other members of the Sanitation Agency are very important to its finances.

Discussions are ongoing pursuant to which employees of SRSD may become employees of the Sanitation Agency, among other things. Representatives of RVSD have proposed alternative arrangements and demanded, via letters from outside legal counsel, that representatives of SRSD sitting on the governing board of the Sanitation Agency not influence the outcome of any decisions by the Sanitation Agency. Because the discussions are ongoing, they may or may not lead to changes in the membership of the Sanitation Agency, its employee count or its scope of work. At this time, however, the District does not believe any of the changes being discussed regarding SRSD employees would result in a material adverse impact to the finances of the District or its ability to pay the Installment Payments.

Concentration of Largest Users

The top 10 customers accounted for approximately 17.5% of total revenues of the Wastewater System for Fiscal Year 2023-24. See “THE DISTRICT AND THE WASTEWATER SYSTEM – Largest Customers.” Bankruptcy, termination of operations or departure from the Service Area by one or more of the largest customers of the Wastewater System could adversely impact the availability of Net Revenues to pay the Installment Payments when due. See also “THE DISTRICT AND THE WASTEWATER SYSTEM – Projected Operating Results and Debt Service Coverage.”

Limitations on Remedies Available

The ability of the District to comply with its covenants under the Installment Sale Agreement and generate sufficient Net Revenues may be adversely affected by actions and events outside of the control of the District or taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See “– Proposition 218” below. Furthermore, any remedies available to the owners of the Certificates upon the occurrence of an event of default under the Trust Agreement are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on remedies of the Owners of the Certificates contained in the Trust Agreement, the rights and obligations under the Certificates and the Trust Agreement may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of

creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose.

Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Loss of Tax-Exemption

As discussed under the caption "TAX MATTERS," the portion of the Installment Payments representing interest with respect to the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date the Certificates were issued, as a result of future acts or omissions of the District in violation of its covenants in the Installment Sale Agreement. Should such an event of taxability occur, the Certificates are not subject to special prepayment and will remain outstanding until maturity or until prepaid under other prepayment provisions set forth in the Trust Agreement.

Proposition 218

General. On November 5, 1996, California voters approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIC and XIID to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, limited local governments' authority to impose or increase property-related "fee" or "charge," which is defined as "any levy other than an ad valorem tax, a special tax or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service" (and referred to in this section as a "property-related fee or charge").

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

Further, under Article XIID, revenues derived from a property-related fee or charge may not exceed the funds required to provide the "property-related service" and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

In addition, Article XIIC states that "the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power

of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives.”

Judicial Interpretation of Proposition 218. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General’s opinion initially indicated that fees and charges for water and wastewater services, which are based on the amount of services consumed, would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIID. However, numerous subsequent court cases have held that certain types of water and wastewater charges could be subject to the requirements of Proposition 218. These cases include, for example, *Capistrano Taxpayers Assoc., Inc. v. City of San Juan Capistrano* (186 Cal. Rptr. 3d 362 (Cal. App. 4th Distr. 2015)), *Bighorn-Desert View Water Agency v. Verjil* (46 Cal. Rptr. 3d 73 (Cal. 2006)), and *Howard Jarvis Taxpayers Assoc. v. City of Fresno* (26 Cal. Rptr. 3d 153 (Cal. App. 5th Distr. 2005)).

Under the *Bighorn* case, for example, the court held that under Article XIIC, local voters could adopt an initiative measure that could reduce or repeal a local agency’s rates and charges, though it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness, as is the case with respect to the Installment Payments securing the 2024 Bonds.

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

Conclusion. It is not possible to predict how courts will further interpret Article XIIC and Article XIID in future judicial decisions, and what, if any, further implementing legislation will be enacted. As noted above, under the *Bighorn* case, local voters could adopt an initiative measure that reduces or repeals the District’s rates and charges, though it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness, as is the case with respect to the Installment Payments. ***There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIIC and Article XIID to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for wastewater services, or to call into question previously adopted wastewater rate increases. See “– Future Initiatives; Change in Law.”***

Proposition 26

On November 2, 2010, California voters approved Proposition 26, the so-called “Supermajority Vote to Pass New Taxes and Fees Act”. Section 1 of Proposition 26 declared that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIIC of the State Constitution. Proposition 26’s amendments to Article XIIC broadly define “tax,” but specifically exclude, among other things:

“(1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.

(2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.

...

(6) A charge imposed as a condition of property development.

(7) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D.”

The District believes its wastewater service charges do not constitute a “tax” under Article XIIC. The District believes its connection fee is not a “tax” as defined by Proposition 26 because it is a charge to a landowner that is imposed (typically as a condition of property development) for a specific privilege and does not exceed the reasonable costs of conferring the privilege. The District will continue to comply with the provisions of Articles XIIC and XIID (enacted by Proposition 218, described above) and implementing legislation in connection with future rate increases, as such requirements may be interpreted by state courts.

Future Initiatives; Change in Law

The California electorate or Legislature could implement changes in California law having the effect of reducing revenues payable to, or collected by, the District. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could have the effect of reducing the Net Revenues and adversely affecting the security of the Installment Payments.

In particular, Articles XIIC and XIID of the California Constitution were adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time-to-time other initiatives could be proposed and adopted affecting the District’s revenues or ability to increase revenues.

Limited Recourse on Default

If the District defaults on its obligation to pay the Installment Payments, the Trustee, as assignee of the District, has the right to accelerate the total unpaid principal amounts of the Certificates. However, in the event of a default and such acceleration there can be no assurance that the District will have sufficient Net Revenues to pay the accelerated Installment Payments.

Secondary Market for Certificates

There can be no guarantee that there will be a secondary market for the Certificates or, if a secondary market exists, that any Certificates can be sold for any particular price. Prices of issues for which a market is being made will depend upon then-prevailing circumstances. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the Certificates will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or

final regulations, the issuance of rulings, the selection of the Certificates for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Certificates or obligations that present similar tax issues as the Certificates.

Cyber Security

The District, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the District is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. No assurance can be given that the District's efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the District, or the administration of the Certificates. The District is also reliant on other entities and service providers in connection with the administration of the Certificates, including without limitation the Trustee. No assurance can be given that the District and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Certificate Owners. The District maintains cybersecurity insurance.

Future Parity Debt

As described in "SECURITY FOR THE CERTIFICATES – Parity Debt" above, the Installment Sale Agreement permits the District to issue Additional Parity Debt in the future, under which its obligations would be payable on a parity with the payment debt service on the Installment Payments and the Prior Parity Certificates.

The coverage tests described in "SECURITY FOR THE CERTIFICATES – Parity Debt" involve, to some extent, projections of Net Revenues. If Additional Parity Debt is issued, the debt service coverage for the Installment Payments could be diluted below what it otherwise would be. Moreover, there is no assurance that the assumptions that form the basis of such projections, if any, will be actually realized subsequent to the date of such projections. If such assumptions are not realized, the amount of future Net Revenues may be less than projected, and the actual amount of Net Revenues may be insufficient to provide for the payment of the Installment Payments and any Parity Debt issued in the future.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Underwriter and the beneficial owners of the Certificates to provide certain financial information and operating data relating to the District no later than nine months following the end of each Fiscal Year (the "**Annual Report**"), commencing on April 1, 2025 with the report for the Fiscal Year ending June 30, 2024, and to provide notices of the occurrence of certain enumerated events on the Municipal Securities Rulemaking Board's EMMA website. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below in APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "**SEC**") under the Securities Exchange Act of 1934.

The District has never previously entered into a continuing disclosure undertaking under the Rule. In connection with long-term obligations issued by the Sanitation Agency, however, the District has provided certain information to the Sanitation Agency to help the Sanitation Agency

meet its obligations under the Rule. During the past five years, the District has not failed to comply, in all material respects, with its reporting obligations.

The District has hired NHA Advisors, LLC to act as dissemination agent for the Certificates.

NO LITIGATION

At the time of issuance of the Certificates, the District will certify there is no litigation pending concerning the validity of the Certificates, the Trust Agreement, the Installment Sale Agreement or any proceedings of the District with respect thereto, and that there are no lawsuits or claims pending against the District which will materially affect the District's finances.

RATING

S&P Global Ratings ("**S&P**") has assigned its municipal bond rating of "AA-" to the Certificates. Such rating expresses only the views of S&P and is not a recommendation to buy, sell or hold the Certificates. This rating reflects only the views of S&P, and an explanation of the significance of the ratings, and any outlook assigned to or associated with these ratings, should be obtained from S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The District has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement).

There is no assurance that the rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely, if in the judgment of the rating agency, circumstances so warrant. The Corporation, the District and the Trustee undertake no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal may have an adverse effect on the market price or marketability of the Certificates.

In providing a rating on the Certificates, S&P may have performed independent calculations of coverage ratios using its own internal formulas and methodology, which may not reflect the provisions of the Trust Agreement or the Installment Sale Agreement. The District makes no representations as to any such calculations, and such calculations should not be construed as a representation by the District as to past or future compliance with any financial covenants, the availability of particular revenues for the payment of debt service or for any other purpose.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to the qualifications set forth below, under existing law, the portion of Installment Payments designated as and comprising interest and received by the Owners of the Certificates is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Certificates may be subject to the corporate alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the “**Tax Code**”) that must be satisfied subsequent to the execution and delivery of the Certificates in order that the interest with respect thereto be, and continue to be, excludable from gross income for federal income tax purposes. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of execution and delivery of the Certificates.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a Certificate is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Certificate is sold is greater than the amount payable at maturity thereof, then such difference constitutes “bond premium” for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and bond premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Certificates to determine taxable gain upon disposition (including sale, prepayment, or payment on maturity) of such Certificates. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Certificates who purchase the Certificates after the initial offering of a substantial amount of such maturity. Owners of such Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such Certificates is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the Certificate (said term being the shorter of the Certificate’s maturity date or its call date). The amount of bond premium amortized each year reduces the adjusted basis of the owner of the Certificate for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a Certificate is amortized each year over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Certificate premium is not deductible for federal income tax purposes. Owners of premium Certificates, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Certificates.

California Tax Status. In the further opinion of Special Counsel, the portion of Installment Payments designated as and comprising interest and received by the Owners of the Certificates is exempt from California personal income taxes.

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest with respect to the Certificates to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to Certificates issued prior to enactment.

The opinions expressed by Special Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Special Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest with respect to the Certificates, or as to the consequences of owning or receiving interest with respect to the Certificates, as of any future date. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Counsel expresses no opinion.

Owners of the Certificates should also be aware that the ownership or disposition of, or the accrual or receipt of interest with respect to, the Certificates may have federal or state tax consequences other than as described above. Other than as expressly described above, Special Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Certificates, the ownership, sale or disposition of the Certificates, or the amount, accrual or receipt of interest with respect to the Certificates.

CERTAIN LEGAL MATTERS

Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, will render an opinion substantially in the form of APPENDIX D hereto with respect to the validity of the Certificates. Special Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Official Statement. Jones Hall, A Professional Law Corporation, is also serving as Disclosure Counsel to the District. *Payment of the fees and expenses of Special Counsel and Disclosure Counsel is contingent upon execution and delivery of the Certificates.*

COMPETITIVE SALE OF CERTIFICATES

The Certificates were sold following a competitive bidding process conducted on _____, 2024, and were awarded to _____ (the “**Underwriter**”), whose proposal represented the conforming bid with the lowest true interest cost for the Certificates as determined in accordance with the Official Notice of Sale. The Underwriter has agreed to purchase the Certificates at a price of \$ _____, which is equal to the initial principal amount of the Certificates of \$ _____ plus [net] original issue premium of \$ _____, less an Underwriter’s discount of \$ _____.

The Underwriter intends to offer the Certificates to the public at the offering prices set forth on the inside cover page of this Official Statement. The Underwriter may offer and sell to certain dealers and others at a price lower than the offering prices stated on the inside cover page hereof. The offering price may be changed from time to time by the Underwriter.

MUNICIPAL ADVISOR

The District has retained NHA Advisors, LLC, San Rafael, California, as its municipal advisor (the "**Municipal Advisor**") in connection with the authorization, execution and delivery of the Certificates. The payment of the Municipal Advisor's fees for services rendered with respect to the sale of the Certificates is contingent upon the authorization and delivery of the Certificates. The Municipal Advisor assumes no responsibility for the information contained in this Official Statement.

EXECUTION

The execution and delivery of this Official Statement has been duly authorized by the District.

**SANITARY DISTRICT NO. 2 OF MARIN COUNTY,
A SUBSIDIARY DISTRICT TO THE TOWN OF
CORTE MADERA**

By: _____
District Manager

APPENDIX A

GENERAL INFORMATION ABOUT THE TOWN OF CORTE MADERA AND COUNTY OF MARIN

The following information concerning The Town of Corte Madera (the “Town”) and the County of Marin (the “County”) is included only for the purpose of supplying general information. The Bonds are not a debt of the County, the State of California (the “State”) or any of its political subdivisions, and neither the County, the State nor any of its political subdivisions is liable therefor.

General

The Town of Corte Madera is located in Marin County (the “County”). Incorporated in 1916, the Town extends from San Francisco Bay on the east side of Highway 101 to Mt. Tamalpais on the west. Corte Madera occupies an area of 4.4 square miles of land, plus surrounding water tidelands. Located 12 miles north of San Francisco, the Town is within hiking, biking and driving distance of some of the most beautiful vistas in the western United States.

Marin County was one of the original counties of California, created in 1850 at the time of statehood. The County has a total area of 828 miles and, as of January 1, 2024, a population of approximately 252,844. Geographically, the county forms a large, southward-facing peninsula, with the Pacific Ocean to the west, San Pablo Bay and San Francisco Bay to the east, and -- across the Golden Gate -- the city of San Francisco to the south. Marin County's northern border is with Sonoma County. Most of the county's population resides on the eastern side, with a string of communities running along the Bay, from Sausalito to Tiburon to San Rafael to Corte Madera. The interior contains large areas of agricultural and open space; West Marin, through which California State Route 1 runs alongside the California coast, contains many small unincorporated communities dependent on agriculture and tourism for their economies.

Municipal Government

The Town is a general law city. The Town operates under a Council-Manager form of government. The Town Council consists of five members elected at large for four-year overlapping terms. The Town Manager is responsible for administration of municipal affairs. The Mayor is selected by the Council from among its members for a one-year term. All municipal departments operate under the supervision of the Town Manager. The Town Clerk and the Town Treasurer are appointed by the Town Manager.

Functions of the Town government, including general government, community development, public safety, public works and culture and leisure, are carried out by approximately 100 full and part-time personnel.

Population

The following table sets forth population estimates for the Town, County and State for the past five years.

POPULATION ESTIMATES
County and State
Calendar Years 2019 through 2024, as of January 1

<u>Year</u>	<u>Town of Corte</u> <u>Madera</u>	<u>Marin County</u>	<u>State of California</u>
2020	10,084	260,388	39,648,938
2021	10,167	259,721	39,327,868
2022	9,965	255,459	39,114,785
2023	9,926	253,972	39,061,058
2024	9,882	252,844	39,128,162

Source: California State Department of Finance.

Employment

The County is included in the San Rafael Metropolitan Division. The following table summarizes the civilian labor force, employment and unemployment in the County for the calendar years 2019 through 2023. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the City.

The unemployment rate in the Marin County was 3.7 percent in June 2024, up from a revised 3.0 percent in May 2024, and above the year-ago estimate of 3.3 percent. This compares with an unadjusted unemployment rate of 5.3 percent for California and 4.3 percent for the nation during the same period.

SAN RAFAEL METROPOLITAN DIVISION
Civilian Labor Force, Employment and Unemployment, Unemployment by Industry
(Annual Averages)
March 2023 Benchmark

	2019	2020	2021	2022	2023
Civilian Labor Force ⁽¹⁾	138,600	130,600	129,200	131,100	132,000
Employment	135,400	121,800	123,300	127,600	127,600
Unemployment	3,200	8,900	5,900	3,500	4,400
Unemployment Rate	2.3%	6.8%	4.5%	2.7%	3.3%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	400	400	400	400	300
Logging and Mining	0	0	0	0	0
Construction	7,700	7,300	7,600	7,800	7,600
Manufacturing	4,900	4,600	4,400	4,200	4,300
Wholesale Trade	2,300	2,200	2,100	2,100	2,300
Retail Trade	14,700	13,700	13,900	13,900	13,700
Transportation, Warehousing and Utilities	1,300	1,400	1,400	1,400	1,400
Information	2,600	2,600	2,700	2,800	2,900
Financial Activities	5,400	5,400	5,400	5,400	5,400
Professional and Business Services	18,700	17,500	17,700	18,200	18,000
Educational and Health Services	21,100	19,400	20,000	20,400	21,400
Leisure and Hospitality	16,000	11,200	12,100	14,000	14,500
Other Services	5,700	4,800	4,800	5,300	5,600
Federal Government	600	700	700	600	600
State Government	2,000	2,000	1,900	1,900	1,800
Local Government	13,200	12,000	11,900	12,300	12,900
Total, All Industries ⁽³⁾	116,600	105,000	106,600	110,500	112,600

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

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

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Major Employers

The following table lists the major employers within the County, listed in alphabetical order without regard to the number of employees, as of August 2024

MARIN COUNTY Largest Employers as of August 2024

Employer Name	Location	Industry
Bay Equity	Sausalito	Real Estate Loans
Biomarin Pharmaceutical Inc	San Rafael	Laboratories-Research & Development
Cagwin & Dorward	Novato	Landscape Contractors
California Alpine Club	Mill Valley	Clubs
College of Marin	Kentfield	Schools-Universities & Colleges Academic
Community Action Marin	San Rafael	Membership Organizations NEC
Corrections Dept	San Quentin	Government Offices-State
Glassdoor Inc	Mill Valley	Website Hosting
Hospice By the Bay Marin	Larkspur	Physicians & Surgeons
Kaiser Permanente Novato Med	Novato	Clinics
Kaiser Permanente Sn Rafael MD	San Rafael	Hospitals
Macy's	Corte Madera	Department Stores
Managed Health Network LLC	San Rafael	Health Plans
Marcolin USA Inc	Belvedere Tibrn	Distribution Centers (whls)
Marin Center	San Rafael	Convention Information Bureaus
Marin County Public Works Dept	San Rafael	Public Works Department
Marin Independent Journal	San Rafael	Newspapers (publishers/Mfrs)
Marinhealth Medical Ctr	Greenbrae	Hospitals
Nordstrom	Corte Madera	Department Stores
RH (restoration Hardware)	Corte Madera	Furniture-Dealers-Retail
San Rafael Human Resources	San Rafael	City Government-Social & Human Resources
Sutter Care At Home-Marin	Novato	Home Health Service
Township Building Svc Inc	Novato	Janitor Service
Westamerica Bancorporation	San Rafael	Holding Companies (bank)
Y YMCA San Francisco	San Rafael	Youth Organizations & Centers

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2024 2nd Edition.

Construction Activity

Provided below are the building permits and valuations for the Town and the County for calendar years 2019 through 2023.

TOWN OF CORTE MADERA Total Building Permit Valuations (valuations in thousands)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>Permit Valuation</u>					
New Single-family	\$4,264.6	\$1,625.0	\$883.9	\$3,438.3	\$280.0
New Multi-family	0.0	0.0	0.0	0.0	0.0
Res. Alterations/Additions	<u>12,831.1</u>	<u>4,271.1</u>	<u>10,421.4</u>	<u>13,014.2</u>	<u>13,162.5</u>
Total Residential	6,910.3	5,896.1	11,305.3	16,452.5	13,442.5
New Commercial	\$33,300.0	2,814.8	15,650.0	11,440.0	0.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	\$2,328.6	729.0	1,546.2	2,914.1	<u>1,369.9</u>
Com. Alterations/Additions	<u>150,484.0</u>	<u>2,338.4</u>	<u>4,272.1</u>	<u>8,452.9</u>	<u>4,865.5</u>
Total Nonresidential	\$243,210.6	\$5,882.2	\$21,468.3	\$22,807.0	\$6,235.4
<u>New Dwelling Units</u>					
Single Family	6	3	6	11	1
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	6	3	6	11	1

Source: Construction Industry Research Board, Building Permit Summary

MARIN COUNTY Total Building Permit Valuations (valuations in thousands)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>Permit Valuation</u>					
New Single-family	\$115,771.9	\$41,431.0	\$107,029.8	\$114,820.5	\$122,734.3
New Multi-family	13,650.2	350.0	6,180.6	5,915.0	34,463.8
Res. Alterations/Additions	<u>202,353.8</u>	<u>145,529.5</u>	<u>200,676.7</u>	<u>250,434.5</u>	<u>274,856.9</u>
Total Residential	331,775.9	187,310.5	313,887.1	371,170.0	432,055.0
New Commercial	68,717.0	8,062.8	60,485.6	26,516.5	8,681.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	24,009.6	20,173.1	30,372.1	50,096.8	81,969.9
Com. Alterations/Additions	<u>150,484.0</u>	<u>22,409.2</u>	<u>39,463.5</u>	<u>80,547.5</u>	<u>102,908.8</u>
Total Nonresidential	\$243,210.6	\$50,645.1	\$130,321.2	\$157,160.8	\$193,559.7
<u>New Dwelling Units</u>					
Single Family	130	97	235	323	255
Multiple Family	<u>86</u>	<u>3</u>	<u>21</u>	<u>8</u>	<u>360</u>
TOTAL	216	100	256	331	615

Source: Construction Industry Research Board, Building Permit Summary

Effective Buying Income

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

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2020 through 2024.

Effective Buying Income As of January 1, 2020 through 2024

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000’s Omitted)</u>	<u>Median Household Effective Buying Income</u>
2020	Town of Corte Madera	\$707,169	\$115,700
	Marin County	15,543,159	94,399
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	Town of Corte Madera	\$751,783	\$130,648
	Marin County	16,277,172	101,513
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790
2022	Town of Corte Madera	\$770,198	\$135,000
	Marin County	16,588,577	103,880
	California	1,452,426,153	77,058
	United States	11,208,582,541	64,448
2023	Town of Corte Madera	\$751,592	\$136,673
	Marin County	16,261,363	104,104
	California	1,461,799,662	77,175
	United States	11,454,846,397	65,326
2024	Town of Corte Madera	\$770,198	\$135,000
	Marin County	16,602,060	110,677
	California	1,510,708,521	80,973
	United States	11,987,185,826	67,876

Source: Source: Claritas.

Taxable Sales

Total taxable sales during the first quarter 2024 in the Town were reported to be \$151,631,389, a 24.56% increase in total taxable sales of \$121,733,589 reported during the first comparable quarter of 2023.

**TOWN OF CORTE MADERA
Valuation of Taxable Transactions
(Dollars in thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2019	272	501,036	489	605,568
2020	282	376,531	508	449,677
2021	259	462,589	464	674,940
2022	251	433,877	451	629,743
2023	245	400,670	460	645,101,114

Source: State Department of Tax and Fee Administration.

Total taxable sales during the first quarter 2024 in the County were reported to be \$1,464,549,077, a 2.13% increase in total taxable sales of \$1,434,046,479 reported during the first comparable quarter of 2023.

**MARIN COUNTY
Valuation of Taxable Transactions
(Dollars in thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2019	6,057	4,174,455	11,373	5,507,807
2020	6,321	3,982,041	12,032	5,203,057
2021	5,461	4,669,874	10,475	6,207,919
2022	5,137	4,900,942	10,161	6,550,066
2023	4,969	4,726,990	9,850	6,397,425

Source: State Department of Tax and Fee Administration.

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APPENDIX B
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2023

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Sanitation District No. 2 of Marin County

Corte Madera, California

Annual Financial Report

For the Year Ended June 30, 2023



**Sanitation District No. 2 of Marin County
A Component Unit of the Town of Corte Madera
Annual Financial Report
For the Year Ended June 30, 2023
Table of Contents**

	<u>Page</u>	
Table of Contents	i	
 <u>FINANCIAL SECTION</u>		
Independent Auditors' Report	1	
Management's Discussion and Analysis – Required Supplementary Information (Unaudited)	5	
 Basic Financial Statements:		
Statement of Net Position	13	
Statement of Revenues, Expenses, and Changes in Net Position	14	
Statement of Cash Flows	15	
Notes to the Basic Financial Statements	19	
 Supplementary Information:		
Budgetary Comparison Information	29	
 Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with Government Auditing Standards		31

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INDEPENDENT AUDITORS' REPORT

To the Honorable Chair and Members of the Board
of the Sanitary District No. 2 of Marin County
Corte Madera, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Sanitary District No. 2 of Marin County (the "District"), a component of unit of the Town of Corte Madera, California (the "Town"), which comprise the statement of net position, as of June 30, 2023, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior year comparative information has been derived from the District's 2022 financial statements and, in our report dated November 18, 2022, expressed an unmodified opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2023, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

To the Honorable Chair and Members of the Board
of the Sanitary District No. 2 of Marin County
Corte Madera, California
Page 3

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise District's basic financial statements. The Budgetary Comparison Information, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The Budgetary Comparison Information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2023, on our consideration of District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

The PwC Group, LLP

Walnut Creek, California
November 30, 2023

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Sanitary District No. 2 of Marin County
A Component Unit of the Town of Corte Madera
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2023

This section of the Sanitary District No. 2 of Marin County's (the "District") basic financial statements presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2023. Since this management's discussion and analysis is designed to focus on current activities, resulting change and current known facts, please read it in conjunction with the District's Basic Financial Statements and the Notes to Financial Statements.

Financial Highlights

For the fiscal year ended June 30, 2023, the District's net position increased by \$1,432,930 from \$35,230,248 in 2022, to \$36,663,358 in 2023, as can be seen on page 14. Operating revenue was essentially flat, decreasing by \$5,207, or less than .2%, compared to the previous year, due mainly to a decrease in permit revenue. Non-operating revenue increased \$391,117, or 9.7%, compared to the previous year. Operating expenses increased by \$1,182,234, or 25%. The increase in operating expenses is due primarily to increases in depreciation expense in the amount of \$424,476, treatment and disposal expense in the amount of \$117,780, payment to the Town of Corte Madera for employees performing District work in the amount of \$293,696 and sewer lateral grants to property owners in the amount of \$153,880. The increase in depreciation is due to capital projects being completed and placed on the depreciation schedule. The overall increase in the district's net position is due in large part to the increase in net capital assets of \$2,382,639 as a result of capital projects being completed. The unrestricted portion of the District's net position (the portion available for capital projects and other expenditures) was \$5,661,386 as of June 30, 2023, a decrease of \$949,709 compared to the previous year. The decrease in the unrestricted portion is due to the spend down of cash that had been accumulated for the completion of capital projects. Additionally, the District's \$2.5 million emergency reserve is unchanged from the previous year.

Using This Report

The annual financial statements include the Independent Auditor's Report, this management's discussion and analysis, the basic financial statements, notes to basic financial statements, and supplementary schedules.

Sanitary District No. 2 of Marin County
A Component Unit of the Town of Corte Madera
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2023

Financial Analysis of the District

The following schedule is prepared from the District's Statement of Net Position (page 13), which is presented on the full accrual basis of accounting in which capital assets are systematically depreciated.

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Current Assets	\$ 8,958,482	\$ 9,684,078	\$ (725,596)	-7.5%
Noncurrent Assets	28,501,972	26,119,333	2,382,639	9.1%
Total Assets	37,460,454	35,803,411	1,657,043	4.6%
Total Liabilities	797,096	572,983	224,113	39.1%
Net Position:				
Net Investment Capital Assets	28,501,972	26,119,333	2,382,639	9.1%
Emergency Reserve	2,500,000	2,500,000	-	0.0%
Unrestricted	5,661,386	6,611,095	(949,709)	-14.4%
Total Net Position	<u>\$ 36,663,358</u>	<u>\$ 35,230,428</u>	1,432,930	4.1%

Change in Net Position

As can be seen above, the District's Net Position increased by \$1,432,930 this year, from \$35,230,428 in FY 2022, to \$36,663,358 in FY 2023.

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating Revenue	\$ 2,958,704	\$ 2,963,911	\$ (5,207)	-0.2%
Operating Expenses	5,935,009	4,752,775	1,182,234	24.9%
Operating Income (Loss)	(2,976,305)	(1,788,864)	(1,187,441)	-66.4%
Nonoperating Revenue (Expenses)	4,409,235	4,018,065	391,170	9.7%
Change in Net Position	<u>\$ 1,432,930</u>	<u>\$ 2,229,201</u>	(796,271)	-35.7%

While the Statement of Net Position shows the components of financial position, the operating results are reflected in the Statement of Revenue, Expenses, and Change in Net Position. This statement provides details as to the nature and source of the change in financial position (Page 14).

Sanitary District No. 2 of Marin County
A Component Unit of the Town of Corte Madera
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2023

Operating and Nonoperating Revenue

Property Taxes increased by \$258,649 or 6.1%. Investment income increased by \$132,521, due to higher interest rates. Charges for services increased by \$49,602, or 1.8%. Other operating revenue decreased by \$54,809, or 45%, due mostly to a decrease in permit revenue.

<u>FY 2022-2023</u>		<u>Revenue</u>	<u>FY 2021-2022</u>		<u>Increase (Decrease)</u>
\$ 4,239,909	57.5%	Property Taxes	\$ 3,981,260	57.0%	\$ 258,649
2,891,162	39.2%	Sewer User Fees	2,841,560	40.7%	49,602
169,326	2.3%	Investment Earnings	36,804	0.5%	132,522
67,542	0.9%	Other Revenue	122,351	1.8%	(54,809)
<u>\$ 7,367,939</u>	<u>100.0%</u>	TOTALS	<u>\$ 6,981,975</u>	<u>100.0%</u>	<u>\$ 385,964</u>

Operating and Nonoperating Expenses

Operating expenses increased by \$1,182,234, or 25%.

<u>FY 2022-2023</u>		<u>Operating Expenses</u>	<u>FY 2021-2022</u>		<u>Increase (Decrease)</u>
\$ 394,462	6.6%	Administration & General	\$ 262,425	5.5%	\$ 132,037
1,569,734	26.4%	Collection Maintenance	1,222,452	25.7%	347,282
451,256	7.6%	Pump Station Maintenance	362,515	7.6%	88,741
668,157	11.3%	CMSA Debt Service	668,608	14.1%	
249,316	4.2%	Utilities	177,396	3.7%	71,920
1,245,679	21.0%	Treatment & Disposal	1,127,450	23.7%	118,229
1,356,405	22.9%	Deprecation Expense	931,929	19.6%	424,476
<u>\$ 5,935,009</u>	<u>100.0%</u>	TOTALS	<u>\$ 4,752,775</u>	<u>100.0%</u>	<u>\$ 1,182,685</u>

Administration and General expenditures increased by \$27,887. This category includes legal expenditures, training, audits, computer and equipment maintenance and supplies, as well as grant payments to property owners for sewer lateral work.

Depreciation expense increased by \$424,476 and accounts for the largest increase. This is due to capital projects being completed and placed on the depreciation schedule. Collection maintenance, also a large increase, increased by \$347,282 due to increases in sewer main maintenance and to Town staff spending more time on Sanitary District work.

Sanitary District No. 2 of Marin County
A Component Unit of the Town of Corte Madera
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2023

Economic Factors and Potential Future Results

Sewer district user fees are currently \$498 per unit and were last increased in the 2009-2010 fiscal year. The fees were based upon a 2009 rate study analysis, and the most recent Sewer System Master Plan which was completed in 2003.

As of 2018, the District had accumulated approximately \$12 million which was dedicated for capital improvement projects. Since 2018, District staff has completed numerous capital improvements, including deferred capital needs and has expended most of the surplus funds.

Additionally, in 2017, the California Regional Water Quality Control Board ordered the District to repair damaged and deficient sewer pipes. In response to this order, the District Board adopted the Private Sewer Lateral (PSL) Ordinance No.45 in 2018 requiring inspection of private sewer laterals when any one of four specific triggers are met. To assist rate payers, with compliance of the ordinance, the District Board authorized a PSL Grant Assistance Program which provides grant funds of up to \$2500 for individual PSL replacements. The program has been highly successful and as of July 2023, has resulted in upgrades to 1,460 of the 5,665 laterals in the District.

In April 2021, the District Board authorized a professional services contract for the development of a Sanitary Sewer Master Plan (SMP). This contract included tasks established in a settlement entered into in September 2020 with an environmental advocacy group, California River Watch, that committed the District to complete a full pipe condition assessment by September 2022, using CCTV data obtained within the last ten years, and also committed the District to invest at least \$5 million over a 5 year period to repair "significantly defective" pipelines. District staff had previously identified these actions as a priority.

Included in the SMP contract was a rate study analysis to forecast the District's capital improvement needs over a 10 year period, and to develop possible funding options, including potential rate increases and debt issuance. Also taken into consideration is the grant program mentioned above. Current grant levels represent an annual cost to the District of approximately \$1.1 million. Reducing the grant amount by \$1,000 would result in savings to the District of \$400,000 per year, and increasing the grant by \$1,000 would result in additional District costs of \$400,000 per year.

In October 2023, staff presented the Draft Sanitary Sewer Master Plan, Capital Improvement Funding Needs, and Current Annual Sewer Service Charges. This comprehensive draft included a very minimal CIP, which would require an \$1.6 million annual increase in revenue, as well as a recommended CIP which included upgrades to gravity pipes, vertical assets and the parallel Paradise force main to the Ross Valley interceptor, resulting in \$5.96 to \$6.22 million in annual revenue.

The SMP is still in draft format and is in the process of being refined. The District plans to hold additional public meetings to discuss and receive feedback on rate increases and the possibility of issuing debt in the form of revenue bonds.

Property taxes currently account for 57% of revenue and are expected to increase at least 2% annually in accordance with the provisions of Proposition 13. This revenue source is used to subsidize operating cost, and provide funds for capital projects. As a result of receiving property tax revenue, the District has been able to avoid raising Sewer User Fees since 2009-2010.

Sanitary District No. 2 of Marin County
A Component Unit of the Town of Corte Madera
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2023

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money and it receives. If you have questions about this report, please contact the Sanitary District No. 2 of Marin County, in care of the Town of Corte Madera, Office of the Director of Finance, 300 Tamalpais Drive, Corte Madera, CA 94925.

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BASIC FINANCIAL STATEMENTS

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Sanitation District No. 2 of Marin County
A Component Unit of the Town of Corte Madera
Statement of Net Position
June 30, 2023

	2023	<i>for comparative purposes only</i> 2022
ASSETS		
Current assets:		
Cash and investments	\$ 8,802,785	\$ 9,573,326
Intergovernmental receivable	87,549	93,814
Interest receivable	68,148	16,938
Total current assets	8,958,482	9,684,078
Noncurrent assets:		
Capital assets:		
Non-depreciable	2,882,836	1,395,539
Depreciable, net	25,619,136	24,723,794
Capital assets, net	28,501,972	26,119,333
Total noncurrent assets	28,501,972	26,119,333
Total assets	37,460,454	35,803,411
LIABILITIES		
Current liabilities:		
Accounts payable	797,096	468,938
Deposits payable	-	104,045
Total current liabilities	797,096	572,983
Total liabilities	797,096	572,983
NET POSITION		
Investment in capital assets	28,501,972	26,119,333
Restricted:		
Emergency reserve	2,500,000	2,500,000
Total restricted	2,500,000	2,500,000
Unrestricted	5,661,386	6,611,095
Total net position	\$ 36,663,358	\$ 35,230,428

Sanitation District No. 2 of Marin County
A Component Unit of the Town of Corte Madera
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2023

	2023	<i>for comparative purposes only</i> 2022
OPERATING REVENUES:		
Charges for services	\$ 2,891,162	\$ 2,841,560
Other operating revenue	67,542	122,351
Total operating revenues	2,958,704	2,963,911
OPERATING EXPENSES:		
Treatment and disposal	1,913,838	1,796,058
Collection maintenance and repairs	1,569,734	1,222,452
Pump station maintenance	451,255	362,515
Utilities	249,315	177,396
General and administrative	394,462	262,425
Depreciation	1,356,405	931,929
Total operating expenses	5,935,009	4,752,775
OPERATING INCOME (LOSS)	(2,976,305)	(1,788,864)
NONOPERATING REVENUES (EXPENSES):		
Property tax assessments	4,239,909	3,981,260
Investment income	169,326	36,805
Total nonoperating revenues (expenses)	4,409,235	4,018,065
CHANGES IN NET POSITION	1,432,930	2,229,201
NET POSITION:		
Beginning of year	35,230,428	33,001,227
End of year	\$ 36,663,358	\$ 35,230,428

Sanitation District No. 2 of Marin County
A Component Unit of the Town of Corte Madera
Statement of Cash Flows
For the Year Ended June 30, 2023

	2023	<i>for comparative purposes only</i> 2022
Cash Flows from Operating Activities:		
Cash received from customers	\$ 2,891,162	\$ 2,805,755
Cash payments to contract services and supplies	(4,354,491)	(3,915,038)
Other	67,542	122,351
Net cash (used in) operating activities	(1,395,787)	(986,932)
Cash Flows from Noncapital Financing Activities:		
Property tax assessments	4,246,174	3,981,260
Net cash provided by noncapital financing activities	4,246,174	3,981,260
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	(3,739,044)	(5,112,810)
Net cash (used in) capital and related financing activities	(3,739,044)	(5,112,810)
Cash Flows from Investing Activities:		
Investment earnings	118,116	19,867
Net cash provided by investing activities	118,116	19,867
Net increase (decrease) in cash and cash equivalents	(770,541)	(2,098,615)
Cash and Cash Equivalents:		
Beginning of year	9,573,326	11,671,941
End of year	\$ 8,802,785	\$ 9,573,326
Reconciliation of Operating Income (Loss) to Net Cash (Used in) Operating Activities		
Operating income (loss)	\$ (2,976,305)	\$ (1,788,864)
Adjustments to reconcile operating income (loss) to net cash (used in) operating activities:		
Depreciation expense	1,356,405	931,929
Change in assets and liabilities:		
Accounts receivable	-	(37,415)
Prepaid items and deposits	-	1,610
Accounts payable	328,158	(198,237)
Deposits payable	(104,045)	104,045
Total adjustments	1,580,518	801,932
Net cash (used in) operating activities	\$ (1,395,787)	\$ (986,932)

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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Sanitary District No. 2 of Marin County
A Component Unit of the Town of Corte Madera
Index to the Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies	21
A. Financial Reporting Entity	21
B. Basis of Presentation, Accounting and Measurement Focus	21
C. Cash, Cash Equivalents and Investments.....	22
D. Receivables	22
E. Prepaid Items	22
F. Capital Assets.....	23
G. Property Taxes	23
H. Use of Accounting Estimates.....	23
Note 2 – Cash and Investments.....	24
Note 3 – Capital Assets.....	24
Note 4 – Risk Management.....	25

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Sanitary District No. 2 of Marin County
A Component Unit of the Town of Corte Madera
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the Sanitary District No. 2 of Marin County, California (the “District”) have been prepared in conformity with Accounting Standards Generally Accepted in the United States of America (U.S. GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards in the United States. The more significant of the District’s accounting policies are described below.

A. Financial Reporting Entity

The District was incorporated January 21, 1901, and was re-incorporated January 15, 1969 as a subsidiary district of the Town of Corte Madera, California (the “Town”). The District is governed under the provisions of the Sanitary District Act of 1923, Health and Safety Code, Section 6400 et seq., as amended. The function of the District is to provide, operate and maintain sewage collection, treatment, and disposal facilities for the properties included within its boundaries. The Town Council also acts as the District’s Board of Directors. Oversight responsibility is determined on the basis of selection of the governing board, designation of management, ability to significantly influence operations, accountability for fiscal matters, and the scope of public service. The District is exempt from federal income and state franchise taxes.

The District is a member of the Central Marin Sanitation Agency (CMSA) which is a Joint Powers Authority (JPA) and is governed by its own Board of Directors. The primary mission of CMSA is to provide engineering, management, and operational services for its Regional Wastewater Treatment Facility for its JPA members located in the surrounding community. CMSA personnel also provide engineering, management, and operational services for wastewater collection systems, collection pump station maintenance, and other related services for its members. As part of the agreement to join the CMSA, members agree to share in the debt service obligations incurred to finance construction of, and improvements to, the Regional Wastewater Treatment Facility.

B. Basis of Presentation, Accounting and Measurement Focus

The District’s financial statements have been prepared in accordance with U.S. GAAP as applied to governmental entities. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial transactions of the District are recorded in a Proprietary Fund type.

The financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses. Nonoperating revenue results from non-exchange transactions, ancillary activities or subsidies, and investment earnings.

Sanitary District No. 2 of Marin County
A Component Unit of the Town of Corte Madera
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Cash, Cash Equivalents and Investments

The District's cash and investments considered to be cash equivalents, consist of cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and reported as cash and investments. The District's cash and investments are held by the Town in its pooled cash and investments.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

Certain disclosure requirements, if applicable, for deposits and investment risks in the following areas:

- Interest rate risk
- Credit risk
 - Overall
 - Custodial credit risk
 - Concentration of credit risk
- Foreign currency risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

D. Receivables

Customer or trade receivables are reported as "intergovernmental receivables" and are shown net of an allowance for uncollectible accounts based on historical and management estimates. All annual sewer user fee invoices are added to the Marin County (County) assessed property tax invoices, mailed to property owners annually, and collected by the County Assessor. Intergovernmental receivables are considered fully collectible since the County provides the District with all sewer user fees regardless of collection, similar to the State's Teeter Plan program for property tax revenue.

E. Prepaid Items

Prepaid items are recorded at cost. Using the consumption method, prepaid items are recorded as expenditures over the period that service is provided. Reported inventory and prepaid items are equally offset by a fund balance reservation, which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

Sanitary District No. 2 of Marin County
A Component Unit of the Town of Corte Madera
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are valued at the fair value of the assets on the date on which they were contributed. Donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The District utilizes a capitalization threshold of \$25,000.

Depreciation is charged to operations using the straight-line method over the estimated useful lives of the assets as follows:

Asset Category	Useful Lives (years)
Collections Equipment, Pump Stations, Infrastructure, Sewer Lines and Appurtenances	25-50
Building and Structure	50
Building and Structure Improvements	20
Other Improvements	35
Vehicles, Equipment and Machinery	5

For all infrastructure systems, the District elected to use the Basic Approach for infrastructure reporting. The District defines infrastructure as the basic physical assets that allow the District to function. The assets include sewer lines and infrastructure.

G. Property Taxes

The County assesses properties and it bills, collects, and distributes property taxes to all taxing entities within its jurisdiction including the District. Under State law, known as the Teeter Plan, the County remits the entire secure amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are assessed on January 1. Secured property tax is due in two installments, on November 1 and March 1. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. Collection of delinquent accounts is the responsibility of the County, which retains all penalties.

The term “unsecured” refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the District in the fiscal year they are levied provided they become available as defined above.

H. Use of Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions, in some cases when applicable, that affect the amounts in the financial statements and the accompanying notes. Actual results could differ from the estimates.

Sanitary District No. 2 of Marin County
A Component Unit of the Town of Corte Madera
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Cash and Investments

The carrying amounts of the District’s pooled cash and investment with the Town was \$8,802,785 at June 30, 2023.

The District pools its cash and investments of all funds with the Town to facilitate the management of cash and achieve the goal of obtaining the highest yield with the greatest safety and least risk. The pool is managed by the Town Treasurer for investing, except for certain restricted funds and investments held in trust, which are held and invested by outside custodians through contractual agreements. These restricted funds include cash with fiscal agents.

Investments held in the Town's cash and investments pool are available on demand. Information regarding the Town's cash and investment pools is described in the Town's Annual Financial Report.

The District does not have a specific investment policy but follows the guidelines of the Town’s Investment Policy. All funds invested are managed to meet the guidelines stated in both California Code Section 53600, et. seq. and the Town’s investment policy.

Note 3 – Capital Assets

The summary of changes in capital assets for the year ended June 30, 2023, is as follows:

	Balance July 1, 2022	Additions	Deletions	Adjustments/ Transfers	Balance June 30, 2023
Capital assets, not being depreciated					
Land	\$ 580,265	\$ -	\$ -	\$ -	\$ 580,265
Construction in progress	815,274	1,519,700	-	(32,403)	2,302,571
Total capital assets, not being depreciated	1,395,539	1,519,700	-	(32,403)	2,882,836
Capital assets, being depreciated					
CMSA treatment plant	2,798,561	-	-	-	2,798,561
Infrastructure	27,733,603	2,219,344	-	32,403	29,985,350
Pump stations and improvements	18,010,636	-	-	-	18,010,636
Vehicles	451,867	-	-	-	451,867
Equipment	82,696	-	-	-	82,696
Subtotal	49,077,363	2,219,344	-	32,403	51,329,110
Less: accumulated depreciation					
CMSA treatment plant	(2,617,820)	(69,964)	-	-	(2,687,784)
Infrastructure	(10,882,439)	(607,766)	-	-	(11,490,205)
Pump stations and improvements	(10,334,595)	(668,109)	-	-	(11,002,704)
Vehicles	(451,868)	-	-	-	(451,868)
Equipment	(66,847)	(10,566)	-	-	(77,413)
Subtotal	(24,353,569)	(1,356,405)	-	-	(25,709,974)
Total capital assets, being depreciated, net	24,723,794	862,939	-	32,403	25,619,136
Total capital assets, net	\$ 26,119,333	\$ 2,382,639	\$ -	\$ -	\$ 28,501,972

Depreciation expense was charged to the District in the amount of \$1,356,405.

Sanitary District No. 2 of Marin County
A Component Unit of the Town of Corte Madera
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 4 – Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The Town and the District purchase insurance policies to protect against catastrophic loss. The District has elected to be self-insured through the Town of Corte Madera Internal Service Funds to cover the cost of insurance policy deductibles. The Town charges the District a pro-rata share of expenses and claims. Any claims or liabilities of the District are reflected and reported in the Town's financial statements.

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SUPPLEMENTARY INFORMATION

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Sanitation District No. 2 of Marin County
A Component Unit of the Town of Corte Madera
Budgetary Comparison Information
For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
OPERATING REVENUES:				
Charges for services	\$ 2,803,000	\$ 2,803,000	\$ 2,891,162	\$ 88,162
Other operating revenue	100,000	100,000	67,542	(32,458)
Total operating revenues	<u>2,903,000</u>	<u>2,903,000</u>	<u>2,958,704</u>	<u>55,704</u>
OPERATING EXPENSES:				
Treatment and disposal	1,746,113	1,746,113	1,913,838	(167,725)
Collection maintenance and repairs	7,344,020	7,344,020	1,569,734	5,774,286
Pump station maintenance	510,000	510,000	451,255	58,745
Utilities	210,000	210,000	249,315	(39,315)
General and administrative	415,000	415,000	394,462	20,538
Depreciation	1,400,000	1,400,000	1,356,405	43,595
Total operating expenses	<u>11,625,133</u>	<u>11,625,133</u>	<u>5,935,009</u>	<u>5,690,124</u>
OPERATING INCOME (LOSS)	<u>(8,722,133)</u>	<u>(8,722,133)</u>	<u>(2,976,305)</u>	<u>5,745,828</u>
NONOPERATING REVENUES (EXPENSES):				
Property tax assessments	3,951,017	3,951,017	4,239,909	288,892
Investment income	80,000	80,000	169,326	89,326
Total nonoperating revenues (expenses)	<u>4,031,017</u>	<u>4,031,017</u>	<u>4,409,235</u>	<u>378,218</u>
OPERATING FUND SURPLUS (DEFICIT)	<u>\$ (4,691,116)</u>	<u>\$ (4,691,116)</u>	<u>\$ 1,432,930</u>	<u>\$ 6,124,046</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditors' Report

To the Honorable Chair and Members of the Board
of the Sanitary District No. 2 of Marin County
Corte Madera, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the of the Sanitary District No. 2 of Marin County (the "District"), a component unit of the Town of Corte Madera, California (the "Town"), as of and for the year ended June 30, 2023, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

To the Honorable Chair and Members of the Board
of the Sanitary District No. 2 of Marin County
Corte Madera, California
Page 2

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The PwC Group, LLP

Walnut Creek, California
November 30, 2023

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the principal legal documents. Such summary is not intended to be definitive. Reference is made to the actual documents (copies of which are available from the District) for the complete terms thereof.

DEFINED TERMS

The following terms have the following meanings, notwithstanding that any such terms may be elsewhere defined in this Official Statement. Any terms not expressly defined in this Summary but previously defined in this Official Statement have the respective meanings previously given.

“Additional Revenues” means, with respect to the issuance of any Parity Debt, any or all of the following amounts:

- An allowance for Net Revenues from any additions or improvements to or extensions of the Wastewater System to be constructed by the District from the proceeds of such Parity Debt, or which have been previously constructed by the District from any other source of funds but which were not in service during any part of the preceding Fiscal Year, in an amount equal to 100% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following the issuance of the proposed Parity Debt, all as shown by the certificate or opinion of a qualified independent consultant employed by the District.
- An allowance for Net Revenues arising from any increase in the charges made for service from the Wastewater System which has been adopted prior to the incurring of such Parity Debt, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of the most recent completed Fiscal Year or during any more recent 12-month period selected by the District, all as shown by the certificate or opinion of a qualified independent consultant employed by the District.

“Balloon Indebtedness” means with respect to any Parity Debt, twenty-five percent (25%) or more of the principal of which matures on the same date or within a 12-month period (with sinking fund installments on term bonds (or other similar obligations) deemed to be payments of matured principal), that portion of such Parity Debt which matures on such date or within such 12-month period. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such indebtedness which is required by the Parity Debt Documents to be amortized by prepayment or redemption prior to its stated maturity date.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income for purposes of federal income taxation under Section 103 of the Tax Code.

“Business Day” means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State of California, State of New York or in any other state in which the Trust Office of the Trustee is located, is required or authorized by law to be closed or a day on which the New York Stock Exchange or the payment system of the Federal Reserve System is not operational.

“Closing Date” means the date of original execution and delivery of the Certificates.

“Connection Charges” means all amounts levied by the District as a fee for connecting to the Wastewater System, as such fee is established from time to time under the applicable laws of the State of California, including the fee identified by the District as a facilities reserve charge.

“Corporation” means Public Property Financing Corporation of California, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District relating to the execution, sale and delivery of the Certificates. Costs of Issuance include (but are not limited to) the following: filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee (which may include legal fees and the first annual administration fee), financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates, and any charges and fees in connection with the foregoing.

“District” means the Sanitary District No. 2 of Marin County, a Subsidiary District to the Town of Corte Madera, a sanitary district duly organized and existing under the Sanitary District Act of 1923 of the State of California, constituting Part 1 of Division 6 of the Health and Safety Code of the State of California.

“District Representative” means the President of the District, the District Manager, the Town Manager or Finance Director of the Town of Corte Madera, or any other person authorized by resolution of the Board of Directors of the District to act on behalf of the District under or with respect to the Installment Sale Agreement and the Trust Agreement.

“Event of Default” means an event of default under the Installment Sale Agreement, as described the Trust Agreement.

“Federal Securities” means: (a) non-callable direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America; (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America; (c) obligations fully and unconditionally

guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America.

“Fiscal Year” means each twelve-month period beginning on July 1 in any year during the term of the Installment Sale Agreement and ending on the next succeeding June 30.

“Gross Revenues” means all gross income and revenue received by the District from the ownership and operation of the Wastewater System, including, without limiting the generality of the foregoing:

- all amounts levied by the District as a fee for connecting to the Wastewater System, as such fee is established from time to time under the applicable laws of the State of California;
- all income, rents, rates, fees, capital improvement fees (including facilities capacity and pump zone fees), charges or other moneys derived from the services, facilities and commodities sold (including recycled water), furnished or supplied through the facilities of the Wastewater System;
- all *ad valorem* property taxes received by the District;
- the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or under applicable law to the Wastewater System;
- the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Wastewater System as permitted in the Trust Agreement;
- grants received by the District to the extent available to pay the costs related to the Wastewater System; and
- amounts transferred from the Rate Stabilization Fund to the Wastewater Fund during such Fiscal Year.

Notwithstanding the foregoing, the term “Gross Revenues” does not include (i) customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District, (ii) the proceeds of any *ad valorem* property taxes levied for the purpose of paying general obligation bonds of the District relating to the Wastewater System, (iii) for any Fiscal Year, any income or revenue received by the District in such Fiscal Year that is deposited into the Rate Stabilization Fund and (iv) the proceeds of any special assessments or special taxes levied upon real property within any improvement district for the purpose of paying special assessment bonds or special tax obligations of the District relating to the Wastewater System.

“Independent Accountant” means any independent certified public accountant or firm of independent certified public accountants appointed and paid by the District, and who, or each of whom (a) is in fact independent and not under domination of the District;

(b) does not have any substantial interest, direct or indirect, with the District; and (c) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make annual or other audits of the books of or reports to the District.

“Installment Payment” means all payments required to be paid by the District on any date under the Installment Sale Agreement, including any amounts payable upon delinquent installments and including any prepayment thereof under the Installment Sale Agreement.

“Installment Payment Date” means, with respect to any Interest Payment Date, the 5th Business Day preceding such Interest Payment Date.

“Installment Payment Fund” means the fund by that name established and held by the Trustee under the Trust.

“Interest Payment Date” means, with respect to any Certificate, May 1, 2025, and each November 1 and May 1 thereafter to and including the date of maturity or the date of prepayment of such Certificate.

“Maximum Annual Debt Service” means, as of the date of any calculation, the maximum sum obtained by totaling the following amounts for a Fiscal Year during the period commencing with the Fiscal Year during which such calculation is made and continuing for the next five Fiscal Years:

- the aggregate amount of the Installment Payments coming due and payable in such Fiscal Year, except to the extent payable from any security deposit under the Installment Sale Agreement; and
- the amount of principal of and interest on all outstanding Parity Debt coming due and payable in such Fiscal Year.

With respect to any Parity Debt the interest on which is computed at a variable rate, such Parity Debt shall be assumed to bear interest at the highest of: (i) the actual rate on the date of calculation, or if the indebtedness is not yet outstanding, the initial rate (if established and binding), (ii) if the indebtedness has been outstanding for at least 12 months, the average rate over the 12 months immediately preceding the date of calculation, or if no debt is outstanding for the 12 months under the authorizing document, the average rate borne by reference to an index comparable to that to be utilized in determining the interest rate for the debt to be issued, and (iii) (A) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Tax Code, the most recently published Bond Buyer “Revenue Bond Index” (or comparable index if no longer published), or (B) if interest is not so excludable, the interest rate on direct U.S. Treasury obligations having comparable maturities.

If all or any portion or portions of the Parity Debt constitute, or upon issuance would constitute, Balloon Indebtedness, then, for purposes of determining debt service of such Parity Debt, each maturity which constitutes, or upon issuance would constitute, Balloon Indebtedness shall be treated as if it were to be amortized with substantially level annual debt service payments over a term of 40 years commencing on the date which is the first anniversary of the initial issuance of such Parity Debt, calculated

based on a fixed rate equal to the rate at which the District could borrow for such 40-year period, as certified by an independent municipal advisor engaged by the District.

"Moody's" means Moody's Investors Service, Inc., its successors and assigns.

"Net Revenues" means, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

"Operation and Maintenance Costs" means the reasonable and necessary costs paid or incurred by the District for maintaining and operating the Wastewater System, determined in accordance with generally accepted accounting principles, including but not limited to (a) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Wastewater System in good repair and working order, (b) all administrative costs of the District that are charged directly or apportioned to the operation of the Wastewater System, such as salaries and wages of employees, overhead, taxes (if any) and insurance, (c) all payments payable by the District under the Sanitation Agency JPA Agreement, and (d) all payments payable by the District under the Sanitation Agency Payment Agreement and similar agreements related to bonds issued by the Sanitation Agency. "Operating and Maintenance Costs" do not include (i) payments of debt service on bonds, notes or other obligations issued by the District with respect to the Wastewater System, except as provided in clauses (c) or (d) of the preceding sentence, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

"Owner" means, with reference to any Certificate, the person in whose name the Ownership of such Certificate is registered on the registration books maintained by the Trustee for such purpose.

"Parity Debt" means any bonds, notes, leases, installment sale agreements or other obligations of the District payable from and secured by a pledge of and lien upon any of the Net Revenues on a parity with the Installment Payments, entered into or issued under and in accordance with the Installment Sale Agreement.

"Parity Debt Documents" means, collectively, the indenture of trust, trust agreement or other document authorizing the issuance of any Parity Debt or any securities which evidence Parity Debt.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein, but only to the extent that the same are acquired at Fair Market Value:

- Federal Securities;
- Any direct or indirect obligations of an agency or department of the United States of America whose obligations represent the full faith and credit of the United States of America, or which are rated A or better by S&P.

- Interest-bearing deposit accounts (including certificates of deposit) in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation.
- Commercial paper having, at the time of investment or contractual commitment to invest therein, a rating of A-1 or better from S&P or P-1 from Moody's.
- Federal funds, U.S. dollar denominated deposit accounts, time deposits, certificates of deposit (including those placed by a third party pursuant to a separate agreement between the District and the Trustee), other deposit products, trust funds, trust accounts, overnight bank deposits, interest bearing deposits, interest bearing money market accounts or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating in the highest rating category of S&P.
- Money market mutual funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating in the highest investment category granted thereby from S&P or Moody's (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide and retains fees for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise).
- Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by S&P, or (b) fully secured as to the payment of principal and interest by Federal Securities.
- Obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by S&P.
- Bonds or notes issued by any state or municipality which are rated by S&P in one of the two highest rating categories assigned by S&P.
- Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated A or better by S&P or any other nationally-recognized municipal bond rating agency at the time of initial investment.
- The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

- Demand deposits, including interest bearing money market accounts, time deposits, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits, other deposit products, certificates of deposit, including those placed by a third party pursuant to an agreement between the Trustee and the District, or bankers acceptances of depository institutions, including the Trustee or any of its affiliates.

“Project” means the facilities, improvements and other property to be financed from the proceeds of the Certificates as described elsewhere in this Official Statement. The District has the right to amend the description of the Project from time to time in accordance with the Installment Sale Agreement.

“Project Costs” means, with respect to the Project, all costs of the acquisition, construction and installation thereof which are paid from moneys on deposit in the Project Fund, including but not limited to:

- all costs required to be paid to any person under the terms of any agreement for or relating to the acquisition, construction and installation of the Project;
- obligations incurred for labor and materials in connection with the acquisition, construction and installation of the Project;
- the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the acquisition, construction and installation of the Project;
- all costs of engineering and architectural services, including the actual out-of-pocket costs for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the Project;
- any sums required to reimburse the District for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the acquisition, construction and installation of the Project;
- all financing costs incurred in connection with the acquisition, construction and installation of such Project; and
- the interest components of the Installment Payments during the period of acquisition, construction and installation of the Project.

“Rate Stabilization Fund” means any fund established and held by the District as a fund for the stabilization of rates and charges imposed by the District with respect to the Wastewater System, which fund is established, held and maintained in accordance with the Installment Sale Agreement.

“Rating Agency” means, as of any date, each nationally-recognized municipal bond rating agency which then maintains a rating on the Certificates.

“Responsible Officer” means, when used with respect to the Trustee, any managing director, president, vice president, senior associate, associate or other officer of the Trustee within the corporate trust office specified in the Trust Agreement (or any successor corporate trust office) customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the corporate trust office specified in the Trust Agreement because of such person’s knowledge of and familiarity with the particular subject and having direct responsibility for the administration of the Trust Agreement.

“Sanitation Agency” means the Central Marin Sanitation Agency, and its successors and assigns.

“Sanitation Agency JPA Agreement” means that certain Joint Exercise of Powers Agreement, dated as of January 31, 2020, by and among the District, the San Rafael Sanitation District and the Ross Valley Sanitary District, as amended from time to time.

“Sanitation Agency Payment Agreement” means (i) the Amended and Restated Payment Agreement for Treatment Service, dated as of November 1, 2020 (the “Sanitation Agency Payment Agreement”), by and among the District, the Sanitation Agency, the Ross Valley Sanitary District and the San Rafael Sanitation District, including any amendments thereof and (ii) any other similar agreement pursuant to which the District makes payments required by the Sanitation Agency JPA Agreement.

“S&P” means Standard & Poor’s Corporation, and its successors and assigns.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official guidance published, under the Tax Code.

“Term Certificates” means the Certificates designated as such in the Trust Agreement.

“Trust Agreement” means the Trust Agreement, together with any amendments or supplements thereto permitted to be made thereunder.

“Trust Office” means, with respect to the Trustee, the corporate trust office of the Trustee at its address set forth in the Trust Agreement; *provided, however*, that for purposes of the payment, prepayment of certificates, such term means the designated corporate trust office of the Trustee or such other or additional offices as may be specified by the Trustee in writing to the District except that with respect to presentation of Certificates for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., or any successor thereto acting as Trustee hereunder.

“Wastewater Fund” means the fund established and held by the District with respect to the Wastewater System for the deposit of Gross Revenues. As of the date hereof, the Wastewater Fund consists of the District’s Sanitary District Operating Fund.

“Wastewater System” means any and all facilities now existing or hereafter acquired or constructed which are owned, controlled or operated by the District for the collection and conveyance of wastewater, including all appurtenances necessary, useful or convenient therefor, and any necessary lands, rights of way and other real or personal property useful in connection therewith.

INSTALLMENT SALE AGREEMENT

Acquisition and Construction of the Project

The Corporation agrees to supervise the acquisition, construction and installation of the Project in accordance with plans and specifications, purchase orders, construction contracts and other documents relating thereto and approved by the District. The failure of the Corporation to complete the Project by the estimated completion date thereof does not constitute an Event of Default or a grounds for termination of the Installment Sale Agreement, nor will such failure result in the diminution, abatement or extinguishment of the obligations of the District to pay the Installment Payments when due.

The Corporation appoints the District as its agent to carry out all phases of the acquisition, construction and installation of the Project under and in accordance with the provisions of the Installment Sale Agreement. Upon the completion of the Project, the District is required to execute and deliver to the Corporation and the Trustee a written certificate which (a) states that the construction of the Project has been substantially completed, (b) identifies the total Project Costs thereof, and (c) identifies the amounts, if any, to be reserved in the Project Fund for payment of future Project Costs.

Sale of Project; Term

The Corporation agrees to sell the completed Project to the District under the Installment Sale Agreement. The Installment Sale Agreement terminates on the date on which the District has paid all of the Installment Payments and all other amounts due and payable thereunder. Title to the Project, and each component thereof, is deemed conveyed to and vested in the District on the date of completion thereof. The term of the Installment Sale Agreement commences on the Closing Date and ends when the Certificates cease to be outstanding under the Trust Agreement.

Installment Payments

The District agrees to pay Installment Payments as the purchase price of the Project. The Installment Payment are payable solely from the Net Revenues and other funds pledged under the Installment Sale Agreement. The pledge of and lien on the Net Revenues for the security of the Installment Payments is on a parity with the pledge and lien which secures any Parity Debt.

Deposit of Revenues to Make Payments

All of the Gross Revenues will be deposited by the District immediately upon receipt in the Wastewater Fund which has previously been established by the District and which will continue to be held and maintained by the District at all times during the term of the Installment Sale Agreement. The District covenants and agrees that all Gross Revenues will be held by the District in the Wastewater Fund in trust for the benefit of the Trustee (as assignee of the rights of the Corporation) and the Certificate Owners, and for the benefit of the owners of any Parity Debt. The District will apply amounts in the Wastewater Fund as set forth in the Installment Sale Agreement and any Parity Debt Documents. The District is required to apply amounts on deposit in the Wastewater Fund to pay when due the following amounts in the following order of priority:

- all Operation and Maintenance Costs;
- the Installment Payments and all payments of principal of and interest on any Parity Debt;
- to remedy any deficiency in any reserve fund established for Parity Debt;
- any other payments required to comply with the provisions of the Installment Sale Agreement and any Parity Debt Documents; and
- any other authorized purposes as described in the next paragraph.

The District agrees to manage, conserve and apply the Net Revenues on deposit in the Wastewater Fund in such a manner that all deposits required to be made under the preceding paragraph will be made at the times and in the amounts so required. Subject to the foregoing sentence, so long as no Event of Default has occurred and is continuing under the Installment Sale Agreement, the District may use and apply moneys in the Wastewater Fund for (i) the payment of any subordinate obligations or any unsecured obligations, (ii) the acquisition and construction of improvements to the Wastewater System, (iii) the prepayment of any other obligations of the District relating to the Wastewater System, or (iv) any other lawful purposes of the District, including deposits into the Rate Stabilization Fund.

No Preference or Priority

Payment of the Installment Payments and the principal of and interest on any Parity Debt will be made without preference or priority. If the amount of Net Revenues on deposit in the Wastewater Fund are any time insufficient to enable the District to pay when due the Installment Payments and the principal of and interest on any Parity Debt, such payments will be made on a pro rata basis.

Budget and Appropriation of Installment Payments

During the term of the Installment Sale Agreement, the District is required to adopt all necessary budgets and make all necessary appropriations of the Installment Payments from the Net Revenues. In the event any Installment Payment requires the adoption by the District of any supplemental budget or appropriation, the District will

promptly adopt the same. Such covenants of the District are deemed to be and will be construed to be duties imposed by law and it is the duty of each and every public official of the District to take such actions and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform such covenants.

Special Obligation of the District; Obligations Absolute

The District's obligation to pay the Installment Payments and any other amounts coming due and payable under the Installment Sale Agreement will be a special obligation of the District limited solely to the Net Revenues. Under no circumstances is the District required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified in the Installment Sale Agreement for the payment of the Installment Payments and such other amounts, and no other funds or property of the District are liable for the payment of the Installment Payments.

Option to Prepay

The District has the option to prepay the Installment Payments or post a security deposit to pay the Installment Payments, in whole or in part, in the amounts and on the dates set forth in the Installment Sale Agreement. The optional prepayment dates and prices have been determined to correspond to the optional prepayment dates and prices applicable to the Certificates under the Trust Agreement.

Security Deposit

Notwithstanding any other provision of the Installment Sale Agreement, the District may on any date secure the payment of Installment Payments, in whole or in part, by irrevocably depositing with the Trustee an amount of cash which, together with other available amounts, is either:

- (a) sufficient to pay all such Installment Payments, including the principal and interest components thereof, when due, or
- (b) invested in whole or in part in non-callable Federal Securities, the payments of principal of and interest on which, together with other available cash, are sufficient to pay the Installment Payments when due under or when due on any optional prepayment date, as the District instructs at the time of said deposit.

The sufficiency of amounts deposited with the Trustee under the foregoing paragraph (b) must be verified by the report of an Independent Accountant which is addressed and delivered to the Trustee. Upon making a deposit with the Trustee as described above, all obligations of the District with respect to such unpaid Installment Payments and the pledge of Net Revenues and all other security provided by this Agreement for such Installment Payments shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, such unpaid Installment Payments from such deposit, and such deposit shall constitute a special fund for the payment of such Installment Payments in accordance with the provisions of the Installment Sale Agreement.

If the District makes a security deposit for the payment of all remaining Installment Payments, all obligations of the District under the Installment Sale Agreement, and the pledge of Net Revenues and all other security provided by the Installment Sale Agreement for said obligations, will cease and terminate, excepting only the obligation of the District to make, or cause to be made, all Installment Payments from such security deposit. A security deposit constitutes a special fund for the payment of such Installment Payments in accordance with the provisions of the Installment Sale Agreement.

Superior and Subordinate Obligations

The District will not issue or incur any additional bonds or other obligations during the term of the Installment Sale Agreement having any priority in payment of principal or interest out of the Gross Revenues or the Net Revenues over the Installment Payments. Nothing limits or affects the ability of the District to issue or incur (a) obligations payable as Operation and Maintenance Costs under the Sanitation Agency JPA Agreement, (b) Parity Debt, or (c) obligations which are either unsecured or which are secured by an interest in the Gross Revenues or the Net Revenues which are junior and subordinate to the pledge and lien established under the Installment Sale Agreement.

Issuance of Parity Debt

Except for obligations incurred to prepay or post a security deposit for the payment of Installment Payments or Parity Debt, the District will not issue or incur any Parity Debt during the term of the Installment Sale Agreement unless all of the following conditions are met:

- No Event of Default has occurred and is continuing.
- The Net Revenues, calculated in accordance with sound accounting principles, as shown by the books of the District for the latest Fiscal Year or as shown by the books of the District for any more recent 12 month period selected by the District, in either case verified by a certificate or opinion of an Independent Accountant employed by the District, plus (at the option of the District) any or all of the Additional Revenues, are at least equal to 110% of the amount of Maximum Annual Debt Service after the issuance of such Parity Debt. For purposes of computing such Net Revenues, the amount of Gross Revenues may not include any amounts transferred from a Rate Stabilization Fund to the Wastewater Fund.
- The District will deliver to the Trustee a written certificate of a District Representative certifying that the foregoing conditions precedent to the issuance of such Parity Debt have been satisfied.

Rate Stabilization Fund

The District has the right at any time to establish a Rate Stabilization Fund for the purpose of stabilizing the rates and charges imposed by the District with respect to the Wastewater System. From time to time the District may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to

Net Revenues which are released from the pledge and lien which secures the Installment Payments and any Parity Debt, as the District may determine.

The District may, but is not be required to, withdraw amounts on deposit in the Rate Stabilization Fund and deposit such amounts in the Wastewater Fund in any Fiscal Year for the purpose of paying the Operation and Maintenance Costs, the Installment Payments or the principal of and interest on any Parity Debt coming due and payable in such Fiscal Year. Amounts so transferred from the Rate Stabilization Fund to the Wastewater Fund in any Fiscal Year constitute Gross Revenues for that Fiscal Year, and will be applied for the purposes of the Wastewater Fund. Amounts on deposit in the Rate Stabilization Fund are not pledged to and do not secure the Installment Payments or any Parity Debt. All interest or other earnings on deposits in the Rate Stabilization Fund will be retained therein or, at the option of the District, be applied for any other lawful purposes. The District has the right at any time to withdraw any or any amounts on deposit in the Rate Stabilization Fund and apply such amounts for any other lawful purposes of the District.

Rates and Charges

Gross Revenues Covenant. The District covenants to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues sufficient to pay the following amounts in the following order of priority:

- (a) All Operation and Maintenance Costs estimated by the District to become due and payable in the Fiscal Year.
- (b) All Installment Payments and payments of principal of and interest on any Parity Debt as they become due and payable during the Fiscal Year, without preference or priority. If interest on any Parity Debt is computed at a variable rate, the amount required to be taken into account for any Fiscal Year under this covenant will be the actual rate borne by such Parity Debt during such Fiscal Year.
- (c) All amounts, if any, required to restore the balance in a debt service reserve fund for any Parity Debt.
- (d) All payments required to meet any other obligations of the District which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues during such Fiscal Year.

For purposes of this subsection (a), the amount of Gross Revenues for a Fiscal Year will be computed without including in Gross Revenues Connection Charges received in the Fiscal Year and amounts transferred into the Wastewater Fund from the Rate Stabilization Fund during the Fiscal Year.

Net Revenues Covenant. In addition, the District will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year which are sufficient to yield Net Revenues which are at least equal to 110% of the amount of Installment Payments and all

payments of principal of and interest on any Parity Debt coming due and payable during the Fiscal Year. For purposes of this covenant, the amount of Net Revenues for a Fiscal Year will be computed by including in Gross Revenues all Connection Charges received in the Fiscal Year and all amounts transferred into the Wastewater Fund from the Rate Stabilization Fund during the Fiscal Year.

Sale or Eminent Domain of Wastewater System

The District covenants that the Wastewater System will not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the District to pay the Installment Payments or the principal of or interest on any Parity Debt, or would materially adversely affect its ability to comply with the terms of the Installment Sale Agreement. The District may not enter into any agreement which impairs the operation of the Wastewater System or any part of it necessary to secure adequate Net Revenues to pay the Installment Payments or any Parity Debt, or which otherwise would impair the rights of the Certificate Owners or the Trustee with respect to the Net Revenues. If any substantial part of the Wastewater System is sold, the payment therefor must either be applied by the District in a manner that, in the opinion of Bond Counsel, will not adversely impact the tax-exempt status of the interest on the Bonds or

if all or any part of the Wastewater System shall be taken by eminent domain proceedings, any amounts received as awards shall be deposited in an Insurance and Condemnation Fund established and held by the District and applied as follows:

(a) If the District has determined that it needs to use the award to make additions, betterments, extensions or improvements to the Wastewater System in order for the District to comply with the Installment Sale Agreement, the District shall use such award to make such additions, betterments, extensions or improvements. If the amount of such award shall exceed the costs of such additions, betterments, extensions or improvements that are required for the District to comply with the Installment Sale Agreement, the excess shall be applied to any lawful purpose of the Wastewater System, including (i) the payment of Installment Payments and payments on any Parity Debt, (ii) the prepayment or discharge of Installment Payments and payments on any Parity Debt as provided in the Installment Sale Agreement and similar provisions of Parity Debt Documents and (iii) the payment of capital costs of improvements to the Wastewater System.

(b) If the District has determined that it does not need to use the award to make additions, betterments, extensions or improvements to the Wastewater System in order for the District to comply with the Installment Sale Agreement, the District shall use such award for any lawful purpose of the Wastewater System, including (i) the payment of Installment Payments and payments on any Parity Debt, (ii) the prepayment or discharge of Installment Payments and payments on any Parity Debt as provided in Article VII and similar provisions of Parity Debt Documents and (iii) the payment of capital costs of improvements to the Wastewater System.

(c) Notwithstanding the foregoing, to the extent the award relates to improvements financed by the Bonds, until such time as the Bonds have been

redeemed or paid at maturity, (i) any use of such related award shall comply with the Trust Agreement, (ii) such related award may not pay debt service on or prepay, discharge or redeem any Parity Debt, (iii) if such related award will be used to pay debt service on or prepay, discharge or redeem the Installment Payments and the Bonds, they cannot be invested at a yield that is greater than the arbitrage yield of the Bonds and (iv) if the Bonds are refunded by tax-exempt refunding bonds ("**Refunding Bonds**"), such related award in the Insurance and Condemnation Fund shall be transferred to an insurance and condemnation fund established for the Refunding Bonds and used for purposes not inconsistent with the Trust Agreement.

Insurance

(a) The District will at all times maintain with responsible insurers all such insurance on the Wastewater System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. If any useful part of the Wastewater System is damaged or destroyed, such part must be restored to use. All amounts collected from insurance against accident to or destruction of any portion of the Wastewater System shall be deposited in an Insurance and Condemnation Fund established and held by the District as follows:

(i) If the District has determined that it needs to use the insurance proceeds to make additions, betterments, extensions or improvements to the Wastewater System in order for the District to comply with the Installment Sale Agreement, the District shall use such insurance proceeds to make such additions, betterments, extensions or improvements. If the amount of such insurance proceeds shall exceed the costs of such additions, betterments, extensions or improvements that are required for the District to comply with the Installment Sale Agreement, the excess shall be applied to any lawful purpose of the Wastewater System, including (i) the payment of Installment Payments and payments on any Parity Debt, (ii) the prepayment or discharge of Installment Payments and payments on any Parity Debt as provided in Article VII and similar provisions of Parity Debt Documents and (iii) the payment of capital costs of improvements to the Wastewater System.

(ii) If the District has determined that it does not need to use the insurance proceeds to make additions, betterments, extensions or improvements to the Wastewater System in order for the District to comply with the Installment Sale Agreement, the District shall use such award for any lawful purpose of the Wastewater System, including (i) the payment of Installment Payments and payments on any Parity Debt, (ii) the prepayment or discharge of Installment Payments and payments on any Parity Debt as provided in Article VII and similar provisions of Parity Debt Documents and (iii) the payment of capital costs of improvements to the Wastewater System.

(iii) Notwithstanding the foregoing, to the extent the insurance proceeds relate to improvements financed by the Bonds, until such time as the Bonds have been redeemed or paid at maturity, (i) any use of such related insurance proceeds shall comply with the Trust Agreement, (ii) such related insurance proceeds may not pay debt service on or prepay, discharge or redeem any Parity Debt, (iii) if such related insurance proceeds will be used to pay debt service on or prepay, discharge or redeem the Installment Payments and the

Bonds, they cannot be invested at a yield that is greater than the arbitrage yield of the Bonds and (iv) if the Bonds are refunded by tax-exempt refunding bonds (“**Refunding Bonds**”), such related insurance proceeds in the Insurance and Condemnation Fund shall be transferred to an insurance and condemnation fund established for the Refunding Bonds and used for purposes not inconsistent with the Trust Agreement.

(b) The District will also maintain worker’s compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the District.

(c) Any such policy of insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of self-insurance by the District or in the form of the participation by the District in a joint powers agency or other program providing pooled insurance.

Assignment and Amendment of Installment Sale Agreement

The Installment Sale Agreement may not be assigned by the District in whole or in part. The Installment Sale Agreement may be amended by the District and the Corporation, but only (a) for the purpose of providing for the issuance of any Parity Debt in accordance with the Installment Sale Agreement, or (b) otherwise under the circumstances and to the extent permitted under the Trust Agreement. See “TRUST AGREEMENT - Amendment of Trust Agreement or Installment Sale Agreement” below.

Compliance with Sanitation Agency JPA Agreement and Related Agreements

The District will comply in all material respects with its obligations under the Sanitation Agency JPA Agreement and related agreements, including the Sanitation Agency Payment Agreement.

Events of Default

Each of the following constitutes an event of default under the Installment Sale Agreement:

- Failure by the District to pay any Installment Payment when due and payable.
- Failure by the District to pay any other payment due under the Installment Sale Agreement when due and payable, and the continuation of such failure for a period of 30 days.
- Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation, the Trustee; *provided, however*, that if the District notifies the Corporation and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within the 30-day period, the failure

will not constitute an event of default if the District commences to cure such failure within the 30 day period and thereafter diligently and in good faith cures such failure in a reasonable period of time.

- Certain events relating to the insolvency or bankruptcy of the District.
- The occurrence of any event defined to be an event of default under the Sanitation Agency JPA Agreement, the Sanitation Agency Payment Agreement or any Parity Debt Documents.

Remedies on Default

Whenever any event of default has happened and is continuing, the Trustee as assignee of the Corporation has the right, at its option and without any further demand or notice, to:

- declare all principal components of the unpaid Installment Payments, together with accrued interest thereon at the respective rates of interest per annum represented by the outstanding Certificates from the immediately preceding Interest Payment Date on which payment was made, to be immediately due and payable, whereupon the same will immediately become due and payable;
- take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due or thereafter to become due during the term of the Installment Sale Agreement, or enforce performance and observance of any obligation, agreement or covenant of the District under the Installment Sale Agreement; and
- as a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Certificate Owners, cause the appointment of a receiver or receivers of the Gross Revenues and other amounts pledged, with such powers as the court making such appointment may confer.

No remedy conferred upon or reserved to the Corporation under the Installment Sale Agreement is intended to be exclusive and every such remedy will be cumulative and in addition to every other remedy given under the Installment Sale Agreement or at any time existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Such rights and remedies as are given to the Corporation under the Installment Sale Agreement have been assigned by the Corporation to the Trustee under the Trust Agreement, and will be exercised by the Trustee and the Owners of the Certificates as provided in the Trust Agreement.

TRUST AGREEMENT

Trustee

The Trustee is appointed under the Trust Agreement and is authorized to prepare, execute and deliver the Certificates thereunder, and to act as a depository of amounts held thereunder. The Trustee is required to make deposits into and withdrawals from funds, and invest amounts held under the Trust Agreement in accordance with the District's instructions.

Funds

The Trust Agreement creates the Installment Payment Fund, the Costs of Issuance Fund, and the Project Fund to be held in trust by the Trustee.

Installment Payment Fund. There will be deposited in the Installment Payment Fund, when received by the Trustee, all Installment Payments and prepayments thereof. Moneys on deposit in the Installment Payment Fund will be used to pay principal (including the principal amount of any Term Certificates required to be prepaid under the Trust Agreement), and interest represented by the Certificates when due and payable. Any earnings on investment of moneys in the Installment Payment Fund will remain therein. Any surplus remaining in the Installment Payment Fund after the payment of all Certificates, or provision for their payment has been made, will be paid to the District.

Costs of Issuance Fund The Trustee will establish and maintain a Costs of Issuance Fund. The Trustee will disburse amounts in the Costs of Issuance Fund to pay costs of issuance relating to the Certificates from time to time upon the receipt of a written requisition of the District which states (i) the amounts to be disbursed for payment or reimbursement of costs of issuance, (ii) the name and address of the person or persons to whom said amounts are to be disbursed, and (iii) that all amounts to be disbursed are for costs of issuance properly chargeable to the Costs of Issuance Fund. The Trustee will transfer any funds remaining in the Costs of Issuance Fund to the Project Fund 90 days after the Closing Date and the Trustee will thereupon close the Costs of Issuance Fund.

Project Fund. The Trustee will establish and maintain a separate fund to be known as the "Project Fund". Moneys in the Project Fund will be used solely for the payment of the Project Costs. The Trustee will disburse moneys in the Project Fund from time to time to pay Project Costs (or to reimburse the District for payment of Project Costs) in accordance with written requisitions filed with the Trustee by the District from time to time. Each requisition will be sufficient evidence to the Trustee of the facts stated therein and the Trustee has no duty to confirm the accuracy of such facts. The Trustee shall be under no duty or obligation to analyze or verify any documentation supporting the payments or reimbursements but shall hold and provide to Owners upon request such documentation supporting the payments or reimbursements requested by the District, solely as a repository for the benefit of Owners. Any amounts remaining on deposit in the Project Fund and not required to complete the acquisition and construction of the Project will be transferred by the Trustee to the Installment Payment Fund to be applied to pay or prepay the Certificates, and the Trustee will thereupon close the Project Fund.

If an Event of Default occurs under and as defined in the Installment Sale Agreement prior to the closure of the Project Fund by the Trustee, the Trustee will transfer all amounts remaining on deposit in the Project Fund to the Installment Payment Fund, to be credited to the payment of the Installment Payment then in default.

Investment of Funds

The Trustee is required to invest and reinvest all moneys held under the Trust Agreement, at the written direction of the District, in Permitted Investments maturing not later than the date moneys are expected to be required for expenditure. The Trustee may conclusively rely upon the District's written instructions as to both the suitability and legality of the directed investments. In the absence of any written request of the District directing the investment of uninvested moneys held by the Trustee, the Trustee will hold such moneys uninvested.. Such investments, if registrable, will be registered in the name of the Trustee, as trustee or in the name of its nominee, and will be held by the Trustee. In no event shall the Trustee be liable for the selection of investments or for investment losses incurred thereon. The Trustee shall have no liability in respect of losses incurred as a result of the liquidation of any investment prior to its stated maturity at the direction of the District or the failure of the District to provide timely written investment direction. Ratings of permitted investments shall be determined at the time of purchase of such permitted investments and without regard to ratings subcategories. The Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries, and may charge its ordinary and customary fees for such trades, including account maintenance fees. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the Trust Agreement. Such investments and reinvestments will be made giving full consideration to the time at which funds are required to be available. The Trustee may act as purchaser or agent in the making or disposing of any investment. For purposes of acquiring any investments under the Trust Agreement, the Trustee may in its sole discretion commingle funds held by it.

All earnings on the investment of amounts on deposit in the funds and accounts established under the Trust Agreement will be deposited in such funds and accounts from which such investments were made.

Amendment of Agreements

Amendments Permitted With Certificate Owners' Consent. The Trust Agreement and the rights and obligations of the Owners of the Certificates, and the Installment Sale Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time with the written consents of the Owners of a majority in aggregate principal amount of the Certificates then outstanding. No such modification or amendment may (a) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the prepayment thereof, without the express consent of the Owner of such Certificate, or (b) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Installment Sale Agreement, without the consent of the Owners of 100% in aggregate principal amount of the Outstanding Certificates or (c) modify any of the rights or obligations of the Trustee without its written consent.

Amendments Permitted Without Owners' Consent. The Trust Agreement and the rights and obligations of the Owners of the Certificates and the Installment Sale Agreement and the rights and obligations of the respective parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any of the Certificate Owners, only to the extent permitted by law and only for one of more of the following purposes:

- to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power reserved to the Corporation or the District,
- to cure, correct or supplement any ambiguous or defective provision contained therein,
- in any respect whatsoever in regard to questions arising thereunder, as the parties thereto may deem necessary or desirable and which do not, in the opinion of Bond Counsel, materially adversely affect the interests of the Owners of the Certificates,
- to provide for matters relating to the issuance of Parity Debt, or
- to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest with respect to the Certificates.

Remedies Upon Event of Default

Remedies Generally. If an event of default occurs under and as defined in the Installment Sale Agreement, then and in each and every such case during the continuance of such event of default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Certificates then outstanding the Trustee will exercise any and all remedies available under law or granted under the Installment Sale Agreement.

Application of Funds. All moneys received by the Trustee under any right given or action taken under the provisions of the Trust Agreement or the Installment Sale Agreement, and any other funds then held by the Trustee, will be applied by the Trustee in the order following upon presentation of the several Certificates, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid -

First, to the payment of the fees, costs and expenses of the Trustee and of the Certificate Owners in declaring and enforcing such Event of Default and in the performance of its powers and duties under the Trust Agreement including reasonable compensation to its agents, attorneys and counsel, and then to the Certificate Owners in declaring and enforcing an Event of Default, including compensation to its agents, attorneys and counsel;

Second, to the payment of the whole amount then owing and unpaid with respect to the Certificates for principal and interest, with interest on the overdue principal and installments of interest at the respective rates represented by the outstanding Certificates (but such interest

on overdue installments of interest will be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys are insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Institution of Legal Proceedings. If one or more events of default happen and are continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in principal amount of the Certificates then outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Certificates by a suit in equity or action at law, either for the specific performance of any covenant or agreement or in aid of the execution of any power granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee deems most effectual in support of any of its rights or duties under the Trust Agreement.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Trustee or to the Certificate Owners is intended to be exclusive of any other remedy, and every such remedy will be cumulative and will be in addition to every other remedy given under the Trust Agreement or at any time existing, at law or in equity or by statute or otherwise.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an event of default, has taken any action, by judicial proceedings or otherwise, under its duties under the Trust Agreement, whether upon its own discretion or upon the request of the Owners of a majority in aggregate principal amount of the Certificates then outstanding, it will have full power, in the exercise of its discretion for the best interests of the Owners of the Certificates, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action.

Limitation on Certificate Owners' Right to Sue. No Owner of any Certificate has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Trust Agreement, unless (a) such Owner has previously given to the Trustee written notice of the occurrence of an event of default; (b) the Owners of a majority in aggregate principal amount of all the Certificates then outstanding have made written request upon the Trustee to exercise its powers or to institute such action, suit or proceeding in its own name; (c) said Owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee has refused or failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

Defeasance

If and when the obligations represented by any Outstanding Certificates are paid and discharged in any one or more of the following ways:

(a) by paying or causing to be paid the principal of (including any mandatory sinking fund payments related to Term Certificates) and interest and prepayment

premiums (if any) represented by such Certificates Outstanding, as and when the same become due and payable; or

(b) by irrevocably depositing with the Trustee or any other fiduciary, security for the payment of Installment Payments relating to such Certificates as more particularly described in the Installment Sale Agreement, said security to be held by the Trustee on behalf of the District to be applied by the Trustee or by such other fiduciary to pay or prepay such Installment Payments as the same become due, under the Installment Sale Agreement;

then, notwithstanding that such Certificates have not been surrendered for payment, all rights hereunder of the Owners of such Certificates and all obligations of the Corporation, the Trustee and the District with respect to such Certificates shall cease and terminate, except only the obligations of the District and the Corporation pay the fees and expenses of the Trustee, the obligations of the District to indemnify the Trustee, the obligations of the Trustee under provisions related to transfer and exchange of Certificates, and the obligation of the Trustee to pay or cause to be paid, from Installment Payments paid by or on behalf of the District from funds deposited under the preceding paragraph (b), to the Owners of such Certificates not so surrendered and paid all sums represented thereby when due and in the event of deposits under the preceding paragraph (b), such Certificates shall continue to represent direct, undivided fractional interests of the Owners thereof in the Installment Payments.

Any funds held by the Trustee, at the time of discharge of the obligations represented by all Outstanding Certificates as a result of one of the events described in the preceding paragraphs (a) or (b), which are not required for the payment to be made to Owners, shall, upon payment in full of all fees and expenses of the Trustee (including attorneys' fees and expenses) then due, be paid over to the District.

Limited Liability of District and Corporation.

Except for the payment of Installment Payments when due in accordance with the Installment Sale Agreement and the performance of the other covenants and agreements of the District contained in the Installment Sale Agreement and in the Trust Agreement, the District has no pecuniary obligation or liability to the Corporation, the Trustee or the Owners of the Certificates with respect hereto or the terms, execution, delivery or transfer of the Certificates, or the distribution of Installment Payments to the Owners by the Trustee, except as expressly set forth in the Trust Agreement.

The Corporation has no pecuniary obligation or liability to the District or the Trustee, or to any of the Owners of the Certificates, with respect to the performance by the District of its obligations under the Installment Sale Agreement or this Trust Agreement, with respect hereto or the terms, execution, delivery or transfer of the Certificates, or with respect to the distribution of Installment Payments to the Owners by the Trustee.

APPENDIX D

FORM OF SPECIAL COUNSEL OPINION

September __, 2024

Sanitary District No. 2 of Marin County,
a Subsidiary District to the Town of Corte Madera
300 Tamalpais Drive
Corte Madera, CA 94925

OPINION: \$ _____ Sanitary District No. 2 of Marin County, a Subsidiary District to the Town of Corte Madera Wastewater Revenue Certificates of Participation, Series 2024

Members of the Board of Directors

We have acted as special counsel to District No. 2 of Marin County, a Subsidiary District to the Town of Corte Madera (the "District") in connection with the delivery by the District of the Installment Sale Agreement dated as of October 1, 2024 (the "Installment Sale Agreement") between the Public Property Financing Corporation of California (the "Corporation") as seller and the District as purchaser. Under the Trust Agreement dated as of October 1, 2024 (the "Trust Agreement") among the District, the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), the Trustee has executed and delivered the above-captioned certificates of participation dated the date hereof (the "Certificates"). In such capacity, we have examined such law and such certified proceedings, certifications, opinions and other documents as we have deemed necessary to render this opinion.

The Certificates evidence the direct, undivided fractional interests of the owners thereof in Installment Payments to be made by the District under the Installment Sale Agreement (the "Installment Payments"), which have been assigned by the Corporation to the Trustee. The District authorized execution and delivery of the Installment Sale Agreement, the Trust Agreement and the Certificates pursuant to a resolution of the Board of Directors of the District adopted on August 20, 2024 (the "Resolution").

Regarding questions of fact material to our opinion, we have relied on representations of the District contained in the Installment Sale Agreement and the Trust Agreement, and on the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation. Regarding certain questions of law material to our opinion, we have assumed the correctness of certain legal conclusions contained in the written opinions of the general counsel to the District, and others, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The District is a duly created and validly existing sanitary district organized and existing under the Constitution and laws of the State of California, with the power to adopt the Resolution, enter into the Installment Sale Agreement and the Trust Agreement, and perform the agreements on its part contained therein.

2. The Installment Sale Agreement and the Trust Agreement have been duly authorized, executed and delivered by the District, and constitute the valid and binding obligations of the District, enforceable against the District.

3. The Certificates have been validly executed and delivered by the Trustee under the Trust Agreement and, by virtue of the assignment made by the Corporation, the owners of the Certificates are entitled to the benefits of the Installment Sale Agreement.

4. The portion of the Installment Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. It should be noted however that interest on the Bonds may be subject to the corporate alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the execution and delivery of the Certificates in order that the interest with respect thereto be, and continue to be, excludable from gross income for federal income tax purposes. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of delivery of the Installment Sale Agreement.

5. The portion of the Installment Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Installment Sale Agreement or the Certificates.

The rights of the owners of the Certificates and the enforceability of the Installment Sale Agreement and the Trust Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Moreover, our opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or any court; rather, our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions, and any assumptions expressed herein, and in reliance upon the representations, and covenants referenced above. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

§ _____
**SANITARY DISTRICT NO. 2 OF MARIN COUNTY,
A SUBSIDIARY DISTRICT TO THE TOWN OF CORTE MADERA
WASTEWATER REVENUE CERTIFICATES OF PARTICIPATION,
SERIES 2024**

This Continuing Disclosure Certificate (this “**Disclosure Certificate**”) is executed and delivered by Sanitary District No. 2 of Marin County, A Subsidiary District to the Town of Corte Madera (the “**District**”) in connection with the execution and delivery of the certificates captioned above (the “**Certificates**”). The Certificates are being executed and delivered under a Trust Agreement dated as of October 1, 2024 (the “**Trust Agreement**”), among the District, the Public Property Financing Corporation of California and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”). The District covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth above, in the Trust Agreement and in the Installment Sale Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms have the following meanings:

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

“*Annual Report Date*” means the date that is nine months after the end of the District’s fiscal year (currently April 1 based on the District’s fiscal year end of June 30).

“*Dissemination Agent*” means NHA Advisors, LLC, or any successor Dissemination Agent designated in writing by the District and which has filed with the District and the Trustee a written acceptance of such designation.

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

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

“*Official Statement*” means the final official statement executed by the District in connection with the execution and delivery of the Certificates.

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

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriters in complying with the Rule.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2025, with the report for the 2023-24 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and, subject to Section 4(a) hereof, later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

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

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

- (1) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
- (2) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) The District's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the District for the preceding fiscal year, substantially similar to that provided in the Official Statement as follows:

- (1) Principal amount of Certificates outstanding
- (2) Table 1 – Equivalent Dwelling Units (EDUs) Served by Classification of User
- (3) Table 2 – Service Charge Revenues by Classification of User
- (4) Table 11 – Historical Operating Results and Debt Service Coverage

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the District shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

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

Section 5. Reporting of Significant Events.

(a) Under the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the securities, or other material events affecting the tax status of the securities,
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.

- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the District or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the District or an obligated person, or the sale of all or substantially all of the assets of the District or an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates under the Trust Agreement.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the Certificates. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District,

or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with Rule 15c2-12.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

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

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

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

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or type of business conducted;

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

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

The Dissemination Agent shall agree to any amendment so requested by the District; provided neither the Trustee nor the Dissemination Agent shall be obligated to enter into any amendment increasing or affecting its duties or obligations.

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

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 4(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

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

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

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

Section 15. Governing Law. This Disclosure Certificate is to be construed in accordance with and governed by the laws of the State of California.

Date: _____, 2024

**SANITARY DISTRICT NO. 2 OF MARIN COUNTY,
A SUBSIDIARY DISTRICT TO THE TOWN OF
CORTE MADERA**

By: _____
Name: _____
Title: _____

AGREED AND ACCEPTED:

NHA ADVISORS, LLC,
as Dissemination Agent

By: _____
Name: _____
Title: _____

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APPENDIX F

BOOK-ENTRY ONLY SYSTEM

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

Neither the issuer of the Certificates (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Certificates (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Certificates (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Prepayment proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

