

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY  
BOND FINANCING PROGRAM  
Meeting Date: August 16, 2016**

***Request for Reinstatement, Extension and Amendment of  
Initial Resolution***

Prepared by: *Andrea Gonzalez*

<b>Applicant:</b> San Jose Water Company	<b>Amount Requested:</b> \$100,000,000
<b>Project Location:</b> Various portions of Santa Clara County	<b>Application No.:</b> 833(SB)
	<b>Initial Resolution No.:</b> 10-04
	<b>Prior Actions:</b> IR approved 03/24/2010

**Summary.** San Jose Water Company (the “Company”) requests a reinstatement, extension and amendment of Initial Resolution (IR) 10-04 for an amount not to exceed \$100,000,000, representing a balance of a prior IR for \$150,000,000 approved on March 24, 2010. The Company previously issued bonds in the amount of \$50,000,000 on June 16, 2010 from this inducement, and therefore the net induced amount remaining is \$100,000,000. The Company’s current request is to reinstate, extend and amend the Initial Resolution to make improvements to existing structures and facilities located in portions of the Cities of San Jose and Cupertino, the Cities of Campbell, Monte Sereno, and Saratoga, the Town of Los Gatos and adjacent unincorporated territories in the County of Santa Clara, California.

**Borrower.** The Company incorporated in California in 1866 and provides water utilities in the County of Santa Clara. The Company is 100% owned by SJW Corporation.

**Legal Questionnaire.** Staff has reviewed the Company’s responses to the questions contained in the Legal Status portion of the Application. Between June 22, 2006 and August 2, 2006, three purported shareholder derivative actions were filed naming an entity which is unrelated to the Company and a number of such entity’s current and former officers and directors as defendants. One of the defendants happens to also be a Board member of the Company. The court granted final approval of the settlement by written order on August 12, 2009. No information was disclosed in the Legal Status portion of the Application that raises questions concerning the financial viability or legal integrity of this applicant.

**Project Description.** The Company’s principal business is the production, purchase, storage, purification, distribution and retail sale of water through a water supply system consisting of two surface water treatment plants located in Los Gatos and the city of Saratoga, 108 active wells, five impounding reservoirs, and over 2,400 miles of transmission and distribution mains located throughout Santa Clara County.

The project will prevent the pollution and contamination of drinking water and improve the quality of water and consists of the following:

- Improvements to the structures and facilities that are integral to the supply of water throughout the water supply system, including the treatment plants, wells, reservoirs, tanks, pump stations and other functionally related structures and facilities;

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- Improvements to the distribution system, including construction of new mains and replacement of existing mains; and
- The acquisition of equipment for the water supply system, located in portions of the Cities of Cupertino and San Jose, the Cities of Campbell, Monte Sereno and Saratoga, the Town of Los Gatos and adjacent unincorporated territories in the County of Santa Clara.

**Volume Cap Allocation.** The Company anticipates applying to the Authority for volume cap allocation in October of 2016.

**Financing Details.** The Company anticipates the issuance of negotiated tax-exempt bonds.

### **Financing Team.**

**Bond Counsel:** Law Offices of Leslie M. Lava  
**Issuer's Counsel:** Office of the Attorney General

**Staff Recommendation.** Staff recommends approval of reinstatement, extension and amendment to Initial Resolution No. 10-04 for San Jose Water Company for an amount not to exceed \$100,000,000.

*Note: An Initial Resolution approval is not a commitment that the Board will approve a Final Resolution and bond financing of the proposed Project.*

**REINSTATEMENT, EXTENSION AND AMENDMENT OF  
INITIAL RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS  
TO FINANCE WATER FACILITIES FOR  
SAN JOSE WATER COMPANY**

**August 16, 2016**

**WHEREAS**, on March 24, 2010, the California Pollution Control Financing Authority (“Authority”) by its Resolution No. 10-04 (“Initial Resolution”) approved the application of San Jose Water Company, a California corporation (“Company”), for financial assistance, in an amount not to exceed \$150,000,000, in defraying the costs of financing (i) improvements to the structures and facilities that are integral to the supply of water throughout the Company’s water supply system (the “Water System”), including the treatment plants, wells, reservoirs, tanks, pump stations and other functionally related structures and facilities, (ii) improvements to the distribution system, including construction of new mains and replacement of existing mains, and (iii) the acquisition of equipment for the Water System, and are located in portions of the Cities of Cupertino, San Jose, Santa Clara, Campbell, Los Gatos, Monte Sereno, and Saratoga and in contiguous territory in the County of Santa Clara (collectively, “Initial Facilities”), and has authorized the issuance of revenue bonds to provide such financial assistance; and

**WHEREAS**, on June 16, 2010, the Authority issued revenue bonds in the principal amount of \$50,000,000 to finance a portion of the Initial Facilities; and

**WHEREAS**, the Initial Resolution ceased to be effective on March 24, 2013; and

**WHEREAS**, the Company now desires, and has requested the Authority, to (i) reinstate the Initial Resolution and amend the Initial Resolution to extend the date on which the Initial Resolution ceases to be effective from March 24, 2013 to August 16, 2019, and (ii) amend the locations of the Initial Facilities to portions of the Cities of San Jose and Cupertino, the Cities of Campbell, Monte Sereno, and Saratoga, the Town of Los Gatos and adjacent unincorporated territories in the County of Santa Clara (as so amended, “Facilities”); and

**WHEREAS**, the Authority has determined that it is necessary and advisable that the foregoing be approved.

**NOW, THEREFORE, BE IT RESOLVED** by the California Pollution Control Financing Authority, as follows:

**Section 1.** The Authority hereby approves (i) the reinstatement of the Initial Resolution and the extension of the date in which the Initial Resolution ceases to be effective to August 16, 2019, and any references in the Initial Resolution to “March 24, 2013” shall be changed to “August 16, 2019”, and (ii) the amendment of the definition of Facilities in the Initial Resolution as set forth above and any references in the Initial Resolution to “Facilities” shall refer to “Facilities” as defined in this Reinstatement, Extension and Amendment of Initial Resolution.

**Section 2.** The Initial Resolution, as amended by this Reinstatement, Extension and Amendment of Initial Resolution, shall take effect immediately upon its passage and remain in full force and effect thereafter; provided that, subject to Section 6 of the Initial Resolution, it shall cease to be effective on August 16, 2019 unless prior thereto the Authority specifically adopts a further resolution extending the effective date of the Initial Resolution, as amended by this Reinstatement, Extension and Amendment of Initial Resolution, which it will do only after receiving a specific request for such action from the Company, accompanied by an explanation of the reason why the project has not proceeded prior to the date of the letter.

**Section 3.** Except as amended by Sections 1 and 2 hereof and Exhibit A hereto, all provisions and conditions of the Initial Resolution shall remain unchanged and in full force and effect.

**Section 4.** The Executive Director of the Authority is hereby authorized and directed to do any and all ministerial acts in order to communicate this Reinstatement, Extension and Amendment of Initial Resolution to the Company and otherwise to effectuate the purposes of this Reinstatement, Extension and Amendment of Initial Resolution.

## EXHIBIT A

**NUMBER:** 10-04

**LOCATION:** Portions of the Cities of San Jose and Cupertino, the Cities of Campbell, Monte Sereno, and Saratoga, the Town of Los Gatos and adjacent unincorporated territories in the County of Santa Clara (the “Service Area”), in particular the following:

- Main replacements and tie-ins to water mains throughout the Service Area at a rate of approximately 24 miles (1% of total system) per year.
- Replacement of wells and pumping equipment in stations located at McLaughlin, Pike, Almaden Valley, Cahalan and Cypress Stations, all in the City of San Jose, Town of Los Gatos and in other stations throughout the Service Area.
- Implementation of major treatment plant process upgrades at the Montevina Water Treatment Plant at 18300 Highway 17 in the Town of Los Gatos.
- Installation of recycled water pipes along the Alignments “A” and “R” from the City of San Jose Recycled Water Pipelines Project. Alignment A is located within the Golden Triangle on Zanker Road, Bering Drive, Karina Court and Component Drive. Alignment R is an area bordered by Highway 87, Highway 101, North First Street and Sonora Avenue, all in the City of San Jose.
- Replacement of meters, hydrants, appurtenances and service parts throughout the Service Area.
- Replacement and installation of various components of storage tanks, and reservoirs throughout the Service Area.
- Purchase and implementation of hardware and software throughout the Service Area.
- Construction of a new tank and Station on McKean Road in San Jose as well as the associated transmission pipeline from the new station. Replacement of necessary office, operational, maintenance and security equipment, computers, peripherals, vehicles, appurtenances, structures and non-specifics located primarily at 1265 South Bascom Avenue and 110 West Taylor Street, in the City of San Jose and throughout the Service Area.

**TYPE:** Water

**AMOUNT:** Up to \$100,000,000 of new revenue bonds.