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March 27, 2019

**Via Email**

Mr. Al Zelinka  
City Manager, City of Riverside  
3900 Main St.  
Riverside, CA 92522

**Re: Use of 2015A Bond Proceeds for Van Buren Sewer Extension Project**

Dear Mr. Zelinka:

The City is considering using a portion of the proceeds remaining from the sale of the City's 2015A Bonds to finance construction of an extension of the City's sewer system along Van Buren Boulevard (the "Project") on land which is located either in the City or in unincorporated portions of the County of Riverside. The Project will be undertaken pursuant to a Memorandum of Understanding by and among the City, the County of Riverside and Western Municipal Water District, and our understanding is the City will own and operate the expansion of the sewer system after construction.

You have asked us whether the City may properly use a portion of the proceeds remaining from the sale of the 2015A Bonds to provide a portion of the financing for the Project under Resolution No. 21860 (the "Master Resolution") and Resolution No. 22821 (the "Fourth Supplemental Resolution"), which were the resolutions authorizing the issuance of the 2015A Bonds. As described below, we believe these resolutions authorize the use of 2015A Bond proceeds to finance a portion of the Project provided certain procedural requirements are satisfied.

**The 2015A Bonds**

On June 10, 2015, the City issued its City of Riverside Sewer Revenue Bonds, Series 2015A pursuant to the Master Resolution and the Fourth Supplemental Resolution. These resolutions provide the purposes for which 2015A Bond proceeds may be used, and the proceeds from the sale of the 2015A Bonds were, among other things, deposited into a Construction Fund established pursuant to the Fourth Supplemental Resolution.

The Fourth Supplemental Resolution gives broad authority to use moneys in the Construction Fund for purposes related to the construction and expansion of the City's Sewer System.

Specifically, Section 3.02(A) of the Fourth Supplemental Resolution provides that funds in the Construction Fund:

shall be used and withdrawn by the Fiscal Agent, at the direction of the Treasurer, to reimburse the City for qualifying Construction Costs (including reimbursement to the City for qualifying construction costs heretofore paid by the City) of any facility or facilities necessary or convenient; or incidental to, or in connection with, the operation of the Sewer System or to pay or reimburse the City for interest on all or a portion of the 2015A Bonds during the construction period (or a portion of the construction period) for the improvements to the Sewer System funded by the 2015A Bonds.

"Construction Costs" are defined as "the cost of acquiring, constructing, reconstructing, replacing, extending and improving the Sewer System and any facilities related thereto. "Sewer System" is defined as "the whole and each and every part of the sewer public utility owned, controlled and updated by the City, including, without limitation, wastewater collection, transmission, treatment and disposal facilities of the City, all real and personal property, or any interest therein, constituting a part thereof and all additions, improvements, betterments and extensions thereto, whether existing as of the date of [Resolution No. 21860] or subsequently acquired, constructed or acquired."

### Conclusions

Given the broad authority regarding the use of the 2015A Bond proceeds conferred by the Master Resolution and the Fourth Supplemental Resolution, we believe these Resolutions authorize the use of such funds for the Project. There are, however, certain procedural steps which will need to be taken in order to access the 2015A Bond proceeds.

First, Section 3.02(B) of the Fourth Supplemental Resolution requires that the City execute a requisition, the form of which is described in the Fourth Supplemental Resolution, directing the Fiscal Agent to disburse funds.

Second, the Tax Certificate the City executed in connection with the 2015A Bonds provides the City will not use the proceeds of the 2015A Bonds for purposes other than those described in the Tax Certificate without obtaining an opinion of Bond Counsel that, under the federal tax laws, such alternate uses will not cause the interest on the 2015A Bonds to be no longer excluded from gross income for federal income tax purposes. This is a separate issue from whether or not the City has the legal authority to use the remaining funds on the Project which has been addressed above.

Section 1.3 and Exhibit C of the Tax Certificate describe the uses for which 2015A Bond proceeds may be used, and they do not currently contemplate the use of the proceeds on the Project. In compliance with the Tax Certificate, we have issued a legal opinion that use of the remaining 2015A Bond proceeds to construct the Project will not cause interest on the 2015A Bonds to no longer be excluded from gross income for federal income tax purposes.

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Finally, it should be noted that rates and charges collected by the City based on use of the extension of the Sewer System as a part of the Project will become, as applicable, "Gross Operating Revenues" or "Capacity Charges" under the Master Resolution and the Fourth Supplemental Resolution, and therefore will be pledged to the repayment of the 2015A Bonds.

Sincerely,



Brian P. Forbath  
Shareholder  
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A Professional Corporation