



Special Meeting **AGENDA**

Civic Center Council Chamber ♦ 300 Seminary Avenue ♦ Ukiah, CA 95482

January 29, 2020 - 4:00 PM

1. ROLL CALL AND PLEDGE OF ALLEGIANCE

2. AUDIENCE COMMENTS ON NON-AGENDA ITEMS

The City Council welcomes input from the audience. If there is a matter of business on the agenda that you are interested in, you may address the Council when this matter is considered. If you wish to speak on a matter that is not on this agenda, you may do so at this time. In order for everyone to be heard, please limit your comments to three (3) minutes per person and not more than ten (10) minutes per subject. The Brown Act regulations do not allow action to be taken on audience comments in which the subject is not listed on the agenda.

3. NEW BUSINESS

3.a. Discussion and Possible Action Regarding Refunding of 2006 Wastewater Revenue Bonds.

Recommended Action: City Council adopt Resolution thereby approving the associated documents attached hereto in substantial form and authorizing the sale, execution and delivery of the 2020 City Obligations, and direct staff to issue a provisional call notice of the 2006 Ukiah Wastewater Revenue Bonds through the Trustee, Wells Fargo Bank.

Attachments:

1. Draft - Ukiah_Reso_Authorizing_Bonds
2. Draft - Ukiah_Financing_Agreement_
3. Draft - Ukiah_Refunding_Instructions_Draft_01-22-20
4. Draft - City - District 2020 Refinancing Agreement, 1-28-20
5. Estimated Savings Analysis, 1-28-20

4. ADJOURNMENT

Please be advised that the City needs to be notified 72 hours in advance of a meeting if any specific accommodations or interpreter services are needed in order for you to attend. The City complies with ADA requirements and will attempt to reasonably accommodate individuals with disabilities upon request. Materials related to an item on this Agenda submitted to the City Council after distribution of the agenda packet are available for public inspection at the front counter at the Ukiah Civic Center, 300 Seminary Avenue, Ukiah, CA 95482, during normal business hours, Monday through Friday, 8:00 am to 5:00 pm.

I hereby certify under penalty of perjury under the laws of the State of California that the foregoing

agenda was posted on the bulletin board at the main entrance of the City of Ukiah City Hall, located at 300 Seminary Avenue, Ukiah, California, not less than 72 hours prior to the meeting set forth on this agenda.



AGENDA SUMMARY REPORT

SUBJECT: Discussion and Possible Action Regarding Refunding of 2006 Wastewater Revenue Bonds.

DEPARTMENT: Finance **PREPARED BY:** Dan Buffalo, Finance Director

PRESENTER: _____

ATTACHMENTS:

1. Draft - Ukiah_Reso_Authorizing_Bonds
2. Draft - Ukiah_Financing_Agreement_
3. Draft - Ukiah_Refunding_Instructions_Draft_01-22-20
4. Draft - City - District 2020 Refinancing Agreement, 1-28-20
5. Estimated Savings Analysis, 1-28-20

Summary: The City has an opportunity to significantly reduce the interest cost associated with the 2006 Wastewater Revenue Bonds by Refunding such bonds at lower interest rates, thereby saving the City's ratepayers money each year without extending the length of the term of the debt.

The City Council will consider a Resolution thereby approving the associated refinancing documents in substantial form and authorizing the sale, execution and delivery of the 2020 City Obligations, and direct staff to issue a provisional call notice of the 2006 Ukiah Wastewater Revenue Bonds through the Trustee, Wells Fargo Bank.

Background: For the past three years City staff has been working with its consultants attempting to refinance the outstanding 2006 Water and Wastewater Revenue Bonds, Series A, issued on the City's behalf by the Association of Bay Area Governments (the "Authority"), in the aggregate principal amount of \$75,060,000, which have a remaining balance of \$51,950,000 (the "2006 Bonds"). Under the 2006 Bond Documents, the Ukiah Valley Sanitation District (the "District") is treated as a large customer of the City's Wastewater Enterprise and in 2006 the District and City entered into a financing agreement requiring the District to reimburse the City for a certain allocable share (the "District's Allocable Share") of the City's debt service payments made on the 2006 Bonds.

The current bond market provides an opportunity for the City to refinance the 2006 Bonds to a lower interest rate in order to reduce the cost of debt service payable by the City (this process is hereafter referred to as a "Refunding"). Much like refinancing a home mortgage, this Refunding will provide a substantial net (after all costs and expenses) savings on the interest accrued over the life of the bonds, which is a direct benefit to the City and its ratepayers.

The District is currently seeking an independent private placement financing, the proceeds of which the District intends to use to prepay the District's Allocable Share (the "District's 2020 Obligations") which equates to 54% of the outstanding principal of the 2006 Bonds.

The City can accomplish the full Refunding of the 2006 Bonds (i.e., the other 46% outstanding principal of the 2006 Bonds) by issuing new "City of Ukiah, Series 2020 Wastewater Revenue Refunding Obligations (2020

Wastewater Refunding Project)” (the “2020 Obligations”). The proceedings do not require a public hearing or a rate increase, and there is no provision for public protest. The reason for this is that the Refunding saves the City (and the District for its share) and its ratepayers money without increasing its annual obligation or its overall principal obligation represented by the 2006 Bonds.

The 2006 Bonds bear interest at rates ranging from 4.00% to 4.75% and have a final maturity date of March 1, 2035. The 2006 Bonds may now be Refunded with no penalty on (upon 30 days’ notice to the present bondholder) on March 1, 2020. If the City misses the March 1st prepayment date the next chance to refund the 2006 Bonds would be between June 1, 2020 and September 1, 2020.

Staff, with the assistance of its financing team, on December 23, 2019, issued a Request for Proposals/Bids to several targeted financial institutions requesting proposals (the “Proposals”) to provide financing for the Refunding on a privately placed basis. Staff has identified BBVA USA as the best overall Proposal (the “Bank”). BBVA USA is also the bank being selected by the District to finance the District’s 2020 Obligations.

Discussion: There are several steps/documents that need to be authorized/approved by the Council, which are contained in the subject Resolution (Attachment 1) attached to this agenda summary report.

2006 Bonds / Savings Parameters: Based upon the Proposal received from the Bank, the 2006 Bonds can be refunded at an interest rate of 2.42%, which will result in total cash flow savings (after all costs are factored in and accounted for) to the City of approximately \$3.4 million. This savings equates to approximately \$1 million in savings in Fiscal Year 2019-20 and an average \$155,000 annual savings from Fiscal Year 2020-21 through 2034-35 (final maturity of the 2020 Obligations). The 2.42% includes a reduction of 5 basis points (.05%) based on BBVA financing the refunding for both the District and the City. Using present value calculations, the Refunding produces Net Present Value (NPV) savings of approximately \$3.4 million. Based upon an estimated refunded par value of \$24.90 million, the NPV savings is equivalent to approximately 13.5%, which is well above the 3% minimum threshold established by the Government Finance Officers Association (GFOA).

Please refer to the attached Estimated Savings Analysis (Attachment 5) for estimated details as to the Refunding calculations associated with the Refunding of the 2006 Bonds.

Approval of the Resolution is a required prerequisite to accomplishing the issuance of the 2020 Obligations, which, if adopted, is presently expected to occur in mid to late February 2020.

SUMMARY OF THE FINANCING DOCUMENTS

The subject Resolution (Attachment 1) being recommended for adoption authorizes and approves the form of all the foundational legal documents (the “Financing Documents”) necessary to provide for the successful issuance of the 2020 Obligations. The adoption of the Resolution is necessary for the financing team to move forward with completing the appropriate documentation before closing the transaction.

The 2020 Obligations will be repaid solely from Net Revenues of the Wastewater Enterprise. “Net Revenues” means for any Fiscal Year (or other designated twelve (12) calendar month period), the Gross Revenues (i.e., all revenues generated the Wastewater Enterprise) during such Fiscal Year (or designated twelve (12) calendar month period) less the Operation and Maintenance Costs of the Wastewater Enterprise during such period.

The proposed 2020 Obligations are to be issued as limited obligation bonds, payable only from Net Revenues, and therefore the City's general fund (and other funds) will be not be exposed to repayment risk.

The form of individual Financing Documents needed to complete this financing are included as attachments and are each briefly described below:

1. Financing Agreement (Attachment 2). This is an agreement which sets forth the covenants and specifics of the 2020 Obligations, including the flow of funds, prepayment provisions, establishment and management of all funds and accounts, the City's duties, repayment mechanisms and the Bank's rights and remedies. The Financing Agreement also requires the City to maintain Net Revenues in excess of 120% of total annual debt service on the 2020 Obligations and any new parity debt issued in the future.

2. Irrevocable Deposit and Refunding Instructions (Attachment 3). The Irrevocable Deposit and Refunding Instructions are given by the City to the 2006 Trustee directing that the proceeds of the 2020 Obligations (along with the proceeds of the District's 2020 Obligations) be irrevocably deposited by the 2006 Trustee into the Redemption Fund, and used exclusively for the purpose of prepaying the 2006 Bonds in full on March 1, 2020.

3. City-District 2020 Refinancing Agreement (Attachment 4). This is an agreement between the City and the District, pursuant to which certain essential terms of the Refunding are made clear.

Staff will be prepared at the meeting to explain these agreements in more detail and to answer questions from the City Council and the public about them.

TIMING

If Council adopts the subject resolution, the financing team will immediately begin working to close the transaction sometime in February. Until the transaction closes, the City retains the option of not moving forward if staff believes that it is not in the City's interest to do so.

FINANCIAL IMPACTS

The City has an opportunity to significantly reduce the interest cost associated with the 2006 Bonds by Refunding such bonds at lower interest rates, thereby saving the City's ratepayers money each year without extending the length of the term of the debt. Based upon the bid received from the Bank, the Refunding of the 2006 Bonds is estimated to generate net present value savings of approximately \$3.4 million (13.5% of refunded par). The source of repayment for the 2020 Obligations would be limited solely to the Net Revenues of the Wastewater Enterprise, and the 2020 Obligations would not be a debt of the General Fund and there is no collateral pledged therefor.

GOOD FAITH ESTIMATES

The following information consists of estimates that have been provided by the Municipal Advisor and has been represented by such party to have been provided in good faith:

- A. True Interest Cost of the 2020 Obligations: 2.42%
- B. Finance Charge of the 2020 Obligations (Sum of all fees/charges paid to third parties): \$534,805
- C. Net Proceeds of the 2020 Obligations to be Received (net of finance charges, reserves and capitalized

interest, if any): \$24.4 million

D. Total Payment Amount through Maturity of the 2020 Obligations: \$29.9 million

The foregoing constitute good faith estimates only. The principal amount of the 2020 Obligations, the true interest cost of the 2020 Obligations, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to: (a) the actual date of the sale of the 2020 Obligations being different than the date assumed for purposes of such estimates; (b) the actual principal amount of 2020 Obligations sold being different from the estimated amount used for purposes of such estimates; (c) the actual amortization of the 2020 Obligations being different than the amortization assumed for purposes of such estimates; (d) the actual market interest rates at the time of sale of the 2020 Obligations being different than those estimated for purposes of such estimates; (e) other market conditions; or (f) alterations in the City's financing plan, or a combination of such factors.

The actual date of sale of the 2020 Obligations and the actual principal amount of 2020 Obligations sold will be determined by the City based on a variety of factors. The actual interest rates borne by the 2020 Obligations may be subject to change from what is presented above and that may have an impact on the amortization of the 2020 Obligations.

Recommended Action: City Council adopt Resolution thereby approving the associated documents attached hereto in substantial form and authorizing the sale, execution and delivery of the 2020 City Obligations, and direct staff to issue a provisional call notice of the 2006 Ukiah Wastewater Revenue Bonds through the Trustee, Wells Fargo Bank.

BUDGET AMENDMENT REQUIRED: N/A

CURRENT BUDGET AMOUNT: N/A

PROPOSED BUDGET AMOUNT: N/A

FINANCING SOURCE: N/A

PREVIOUS CONTRACT/PURCHASE ORDER NO.: N/A

COORDINATED WITH: N/A

RESOLUTION NO. ____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF UKIAH
AUTHORIZING THE ISSUANCE OF SERIES 2020 WASTEWATER
REVENUE REFUNDING OBLIGATIONS; APPROVING THE FORMS
OF AND AUTHORIZING AND DIRECTING EXECUTION AND
DELIVERY OF A FINANCING AGREEMENT, IRREVOCABLE
DEPOSIT AND REFUNDING INSTRUCTIONS, AND A CITY-
DISTRICT REFINANCING AGREEMENT; AND PROVIDING FOR
OTHER MATTERS PROPERLY RELATED THERETO**

WHEREAS, the City owns a wastewater treatment plant (the “City WWTP”) and a system for the collection and disposal of wastewater within the City, including sewer mains, laterals and related facilities (collectively with the City WWTP, the “City Wastewater System”) for which the City provides wastewater collection, treatment, and effluent disposal services to customers within the City; and

WHEREAS, the Ukiah Valley Sanitation District (the “District”) owns a system for the collection and transmission of wastewater within the District, including sewer mains, laterals and related facilities (the “District Wastewater System”), which wastewater is treated at the City WWTP; and

WHEREAS, in order to finance certain capital improvements relating to the City Wastewater System, the City previously entered into an Installment Sale Agreement, dated as of March 1, 2006 (the “2006 Installment Sale Agreement”) with the Association of Bay Area Governments (the “Authority”), pursuant to which the City agreed to make certain installment payments (the “2006 Installment Payments”), and in connection therewith the Authority issued its \$75,060,000 original aggregate principal amount of 2006 Water and Wastewater Revenue Bonds, Series A (the “2006 Bonds”), pursuant to a Trust Agreement dated as of March 1, 2006 (the “2006 Trust Agreement”), between the Authority and Wells Fargo Bank, National Association, as trustee (the “Prior Trustee”); and

WHEREAS, in order to provide revenue support to the City for the 2006 Installment Payments, the City and the District entered into a Financing Agreement dated March 2, 2006 (the “2006 Financing Agreement”), whereby the District agreed to assume responsibility for an allocable share of the 2006 Installment Payments (the “District’s Allocable Share”); and

WHEREAS, the District is currently seeking private placement financing secured by and pursuant to an Indenture dated as of January 1, 2020 by and between U.S. Bank National Association, as trustee (the “Trustee”) and the District (the “Indenture”), the proceeds of which the District intends to use to prepay the District’s Allocable Share (the “District’s 2020 Obligations”); and

WHEREAS, the City has determined that it is in the interests of the City at this time to provide for the execution and delivery of its “City of Ukiah, Series 2020 Wastewater Revenue Refunding Obligations (2020 Wastewater Refunding Project)” (the “Obligation”) pursuant to a

2020 Financing Agreement by and between BBVA USA (the “Bank”) and the City (the Financing Agreement”), as evidenced by a Promissory Note, dated February __, 2020 (the “Note,” and together with the Financing Agreement and Obligation, the “City’s 2020 Obligations”) the proceeds of which will be combined with the proceeds of the District’s 2020 Obligations and used to prepay in full the principal components of the 2006 Installment Payments, which in turn will cause the corresponding optional prepayment and discharge of the 2006 Bonds in accordance with certain Irrevocable Deposit and Refunding Instructions given by the City to the Prior Trustee, dated as of January 1, 2020 (the “Refunding Instructions”), the form of which has been presented at this meeting and is on file with the City Clerk; and

WHEREAS, the City is authorized under the provisions of Articles 10 (commencing with Section 53570) and 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the “Refunding Bond Law”), to issue its bonds for the purpose of prepaying and refunding certain outstanding obligations of the City, including the 2006 Installment Payments and 2006 Bonds; and

WHEREAS, the principal of and interest and redemption premium (if any) on the 2020 Obligations, and any bonds or other obligations issued on a parity therewith as provided in the Financing Agreement, will be payable from and secured by a pledge of and lien on the Net Revenues (as defined in the Financing Agreement) derived from the City Wastewater System, as expressly set forth in the Financing Agreement; and

WHEREAS, the City and the District have previously entered into an Operating Agreement dated October 3, 2018, as may be amended from time to time (the “Operating Agreement”), which sets forth, among other things, the responsibilities and the terms under which the City and the District provide wastewater collection and treatment services to their respective ratepayers and residents; and

WHEREAS, in order to provide clarification as to certain of the terms and conditions upon which the District’s 2020 Obligations and the City’s 2020 Obligations, respectively, are to be issued and secured, the City Council desires to authorize the execution and delivery of a City-District 2020 Refinancing Agreement, dated as of January 1, 2020, by and between the City and District (the “City-District 2020 Refinancing Agreement”), the form of which has been presented at this meeting and is on file with the City Clerk; and

WHEREAS, the City Council of the City wishes at this time to authorize all proceedings relating to the issuance of the City’s 2020 Obligations, and to approve the execution and delivery of all agreements and documents relating thereto; and

WHEREAS, the City Council, with the aid of its staff, has reviewed the Financing Agreement, the Refunding Instructions and the City-District 2020 Refinancing Agreement, the forms of which have been presented to the City Council and are on file with the City Clerk, and the City Council wishes at this time to approve the foregoing documents (collectively, the “Financing Documents”) in the public interests of the City; and

WHEREAS, Section 5852.1 (“Section 5852.1”) of the Government Code (the “Code”) of the State of California provides that the City Council obtain from an underwriter, municipal advisor or private lender and disclose, in a meeting open to the public, prior to authorization of the City’s 2020 Obligations, good faith estimates of: (a) the true interest cost of the City’s 2020 Obligations, (b) the finance charge of the City’s 2020 Obligations, meaning the sum of all fees and charges paid to third parties, (c) the amount of proceeds of the City’s 2020 Obligations received less the finance charge described above and any reserves or capitalized interest paid or funded with proceeds of the City’s 2020 Obligations and (d) the sum total of all debt service payments on the City’s 2020 Obligations calculated to the final maturity of the City’s 2020 Obligations plus the fees and charges paid to third parties not paid with the proceeds of the City’s 2020 Obligations; and

WHEREAS, in accordance with Section 5852.1, the City Council has obtained such good faith estimates from the City’s underwriter, and such estimates are disclosed in Section 9 hereof; and

WHEREAS, this action does not constitute a “Project” under California Environmental Quality Act (CEQA) Guidelines Section 15378; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Ukiah as follows:

Section 1. Recitals and Findings. The City Council hereby specifically finds and declares that each of the statements, findings and determinations set forth in the recitals set forth above are true and correct and are incorporated herein by this reference, and finds further that the issuance of the City’s 2020 Obligations is expected to result in significant public benefits to the City and its ratepayers.

Section 2. Authorization of the City’s 2020 Obligations. The City’s 2020 Obligations are hereby authorized to be issued pursuant to this Resolution, the Refunding Bond Law and the Financing Agreement, and shall be payable exclusively from the Net Revenues of the City Wastewater System. Such Net Revenues constitute a trust fund for the security and payment of the principal or redemption price of and interest on the City’s 2020 Obligations. The general fund of the City is not liable and the credit or taxing power of the City is not pledged for the payment of the principal or redemption price of and interest on the City’s 2020 Obligations. The owners of the City’s 2020 Obligations may not compel the exercise of the taxing power by the City or the forfeiture of its property, and the principal or redemption price of and interest on the City’s 2020 Obligations are not a debt of the City, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of its property, or upon any of its income, receipts, or revenues except the Net Revenues.

Section 3. Authorized Representatives. The Mayor, Vice Mayor, City Manager, Finance Director, City Clerk, and any other person authorized by the Council or City Manager to act on behalf of the City shall each be an “Authorized Representative” of the City for the purposes of structuring and providing for the issuance of the City’s 2020 Obligations, and are hereby authorized, jointly and severally, for and in the name of and on behalf of the City, to execute and deliver any and all documents and certificates that may be required to be executed in connection

with the execution and delivery of the City's 2020 Obligations (including, but not limited to, the Financing Documents and any other documentation required or necessary in connection therewith), and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the City Council has approved in this Resolution and the Financing Documents.

Section 4. Approval of the Financing Agreement. The City's 2020 Obligations shall be issued pursuant to and secured by the Financing Agreement, the form of which is on file with the City Clerk and is hereby referred to and incorporated herein by this reference. The Financing Agreement, in substantially the form on file with the City Clerk, is hereby approved by the City Council. Any Authorized Representative, on behalf of the City, each acting alone, are hereby authorized and directed, for and in the name of the City, to execute and deliver the Financing Agreement in such form, together with such changes, insertions and omissions as may be approved by the City Attorney and/or an Authorized Representative, such execution to be conclusive evidence of such approval; and the City Clerk is hereby authorized and directed to attest such Financing Agreement and affix the seal of the City thereto. The City Council hereby authorizes the delivery and performance of the Financing Agreement.

Section 5. Approval of the Irrevocable Refunding Instructions. The City Council hereby approves the Refunding Instructions in substantially the form on file with the City Clerk, together with any additions thereto or changes therein (including, but not limited to, the final amount of the required deposits, the final payment schedules and prepayment notices) deemed necessary or advisable by an Authorized Representative of the City. Any Authorized Representative of the City is hereby authorized and directed to execute, and the City Clerk is hereby authorized and directed to attest and affix the seal of the City to, the final form of the Refunding Instructions for and in the name and on behalf of the City, and the execution thereof shall be conclusive evidence of the City Council's approval of any such additions and changes. The City Council hereby authorizes the delivery and performance of the Refunding Instructions, and directs each Authorized Representative to take such action as deemed necessary or appropriate to cause the prepayment and defeasance of the 2006 Installment Payments and the corresponding 2006 Bonds.

Section 6. Terms of the City's 2020 Obligations. The City's 2020 Obligations shall be dated, shall bear interest at the rates, shall mature on the dates, shall be issued in the form, shall be subject to redemption, and shall otherwise be issued on the terms and conditions, all as set forth in the Refunding Bond Law and the Financing Agreement and in accordance with this Resolution.

Section 7. Approval of the City-District 2020 Refinancing Agreement. The City Council hereby approves the City-District 2020 Refinancing Agreement in substantially the form on file with the City Clerk, together with any additions thereto or changes therein deemed necessary or advisable by City Attorney and/or an Authorized Representative of the City. Any Authorized Representative, on behalf of the City, each acting alone, are hereby authorized and directed, for and in the name of the City, to execute, and the City Clerk is hereby authorized and directed to attest and affix the seal of the City to, the final form of the City-District 2020 Refinancing Agreement, and the execution thereof shall be conclusive evidence of the City Council's approval of any such additions and changes. The City Council hereby authorizes the delivery and performance of the City-District 2020 Refinancing Agreement.

Section 8. Financing Documents in Substantially Final Form; Further Authority. The Financing Documents on file with the City Clerk and herein approved are in substantially final form; that is, they are final as to important business terms such as the rate covenant undertaken by the City as to the wastewater rates the City will enact so long as the City's 2020 Obligations are outstanding, and parity bond restrictions, governing limitations on future issues of bonds secured by Net Revenues, but do not contain such things as the numbers resulting from the sale of the City's 2020 Obligations, which numbers will be inserted once the City's 2020 Obligations are finalized. All Authorized Representatives of the City, each acting alone, is hereby authorized and directed to execute, and the City Clerk is hereby authorized and directed to attest to the final form of the Financing Documents for and in the name and on behalf of the City, and the execution thereof shall be conclusive evidence of the City Council's approval of any such additions and changes.

Section 9. Good Faith Estimates Pertaining to the City's 2020 Obligations. Set forth below are good faith estimates Pertaining to the City's 2020 Obligations, as required under Section 5852.1. The following estimates have no bearing on, and should not be misconstrued as, any not-to-exceed financial parameters authorized by this resolution.

(a) The true interest cost of the City's 2020 Obligations is estimated at 2.419972% calculated as provided in Section 5852.1(a)(1)(A) of the Code.

(b) The finance charge of the City's 2020 Obligations, including all fees and charges paid to third parties, is estimated at \$534,805

(c) Proceeds of the City's 2020 Obligations received by the City of \$24,940,000 less the finance charge set forth in (b) above, is equal to \$24,408,195

(d) The total payment amount calculated as provided in Section 5852.1(a)(1)(D) of the Code is estimated at \$29,898,032.

The foregoing are estimates and the final costs will depend on market conditions and can be expected to vary from the estimated amounts set forth above.

Section 10. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

* * * * *

PASSED AND ADOPTED by the City Council of the City of Ukiah on January 29, 2020
by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Douglas F. Crane, Mayor

ATTEST:

Kristine Lawler, City Clerk

DRAFT

2020 FINANCING AGREEMENT

Dated as of February 1, 2020

By and Between

CITY OF UKIAH

And

**BBVA USA,
an Alabama Banking Corporation**

Providing for the

**\$ _____
CITY OF UKIAH
SERIES 2020 WASTEWATER REVENUE REFUNDING OBLIGATIONS
(2020 WASTEWATER REFUNDING PROJECT)**

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Draft

2020 FINANCING AGREEMENT

This 2020 FINANCING AGREEMENT, (this “Agreement”), dated for convenience as of February 1, 2020, is by and between BBVA USA, an Alabama banking corporation (the “Bank”), and the CITY OF UKIAH, a municipal corporation and general law city, duly organized and validly existing under the laws of the State of California (the “City”);

W I T N E S S E T H:

WHEREAS, the City presently owns and operates certain facilities and property for its wastewater system (as more particularly defined herein, the “Enterprise”), and in order to finance certain capital improvements to the Enterprise, the City previously entered into an Installment Sale Agreement, dated as of March 1, 2006 (the “2006 Installment Sale Agreement”) with the Association of Bay Area Governments (the “Authority”), pursuant to which the City agreed to make certain installment payments (the “2006 Installment Payments”), and in connection therewith the Authority issued its \$75,060,000 original aggregate principal amount of 2006 Water and Wastewater Revenue Bonds, Series A (the “2006 Bonds”), pursuant to a Trust Agreement dated as of March 1, 2006 (the “2006 Trust Agreement,” and together with the 2006 Installment Sale Agreement, the “Prior Obligation Documents”), between the Authority and Wells Fargo Bank, National Association, as trustee (the “Prior Trustee”); and

WHEREAS, in order to provide revenue support to the City for the 2006 Installment Payments, the City and the Ukiah Valley Sanitation District (the “District”) entered into a Financing Agreement dated March 2, 2006 (the “2006 Financing Agreement”), whereby the District agreed to assume responsibility for an allocable share of the 2006 Installment Payments (the “District’s Allocable Share”); and

WHEREAS, the District owns a system for the collection and transmission of wastewater within the District (the “District’s Wastewater System”) which wastewater is treated at a wastewater treatment plant owned by the City (the “WWTP”); and

WHEREAS, the District is currently seeking private placement financing, the proceeds of which the District intends to use to prepay the District’s Allocable Share (the “District’s 2020 Obligations”) in accordance with an agreement dated as of February 1, 2020 by and between the City and District (the “City-District 2020 Refinancing Agreement”); and

WHEREAS, the City has determined that it is in the interests of the City at this time to provide for the execution and delivery of its “City of Ukiah, Series 2020 Wastewater Revenue Refunding Obligations (2020 Wastewater Refunding Project)” (the “Obligation”), as evidenced by a Promissory Note, dated February __, 2020 (the “Note,” and together with the Obligation, the “2020 Obligations”) the proceeds of which will be combined with the proceeds of the District’s 2020 Obligations and used to fully prepay all 2006 Installment Payments and to correspondingly prepay and defease all outstanding 2006 Bonds; and

WHEREAS, the principal of and interest and redemption premium (if any) on the 2020 Obligations, and any bonds or other obligations issued on a parity therewith as provided herein,

will be payable from and secured by a pledge of and lien on the Net Revenues (as defined herein) derived from the Enterprise, as expressly set forth in this Agreement; and

WHEREAS, the City and the District have previously entered into an Operating Agreement dated October 3, 2018, as may be amended from time to time (the “Operating Agreement”), which sets forth, among other things, the responsibilities and the terms under which the City and the District provide wastewater collection and treatment services to their respective ratepayers and residents; and

WHEREAS, in order to provide for the execution and delivery of this Agreement, to establish and declare the terms and conditions upon which the 2020 Obligations are made and secured, and to secure the payment of the principal thereof, premium (if any) and interest thereon, the City has authorized the execution and delivery of this Agreement; and

WHEREAS, the City is authorized under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with section 53570 of said Code (the “Bond Law”), to issue its bonds for the purpose of prepaying and refunding certain outstanding obligations of the City, including the 2006 Installment Payments and 2006 Bonds; and

WHEREAS, this Agreement also constitutes a secured promissory note for City’s repayment of the 2020 Obligations; and

WHEREAS, all things necessary to make the 2020 Obligations when issued, executed and delivered, the valid and binding obligation of the City, and to constitute this Agreement as a valid pledge of the revenues herein pledged to the payment of the principal of, prepayment premium, if any, and interest on the 2020 Obligations have been done and performed, as required by law, and the City is now fully authorized to enter into this Agreement, subject to the terms hereof; and

NOW, THEREFORE, THIS AGREEMENT WITNESSETH, that in order to secure the payment of the principal of and the interest and premium (if any) on the 2020 Obligations at any time outstanding under this Agreement, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the 2020 Obligations are premised, and in consideration of the premises and of the mutual covenants herein contained and of the purchasing of the 2020 Obligations by the Bank, and for other valuable considerations, the receipt whereof is hereby acknowledged, the City does hereby covenant and agree, for the benefit of the Bank from time to time of the 2020 Obligations, as follows:

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICABILITY

Section 1.1. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein or therein have the meanings defined herein, the

following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein.

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

(i) An allowance for Net Revenues from any additions or improvements to or extensions of the Enterprise to be made with the proceeds of such Parity Obligations and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of the latest Fiscal Year or such 12 month period, were not in service, all in an amount equal to 90% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36 month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of an Independent Engineer retained by the City and reasonably satisfactory to the Bank.

(ii) An allowance for Net Revenues arising from any increase in the charges made for service from the Enterprise which has become effective prior to the incurring of such Parity Obligations but which, during all or any part of the latest Fiscal Year or such 12 month period, was not in effect, 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 such Fiscal Year or 12 month period, all as shown by the certificate or opinion of an Independent Financial Consultant employed by the City.

“Agreement” means this 2020 Financing Agreement, dated as of February 1, 2020, between the Bank and the City.

“Assignment and Assumption” means the District’s assignment and the City’s corresponding assumption of Assumed Debt Service in the manner set forth in the City-District 2020 Refinancing Agreement, to which the Bank consents pursuant to Section 3.9 hereof.

“Assumed Debt Service” means the Attributable Debt Service assumed by the City rather than refinanced, as described in Section 3.9 hereof

“Attributable Debt Service” means the lawfully determined allocable portion of debt service on the District’s 2020 Bonds allocable or attributable to an Event of Realignment in the manner set forth in the City-District 2020 Refinancing Agreement, as described in Section 3.9 hereof.

“Authority” means the Association of Bay Area Governments, a public body, corporate and politic.

“Authorized Representative” means the City’s Mayor, Vice Mayor, City Manager, Finance Director, City Clerk, or any other person designated as an Authorized Representative of the City by a Certificate of the City signed by its Mayor, Vice Mayor or City Manager and filed with the Bank.

“Bank” means (a) initially, BBVA USA, an Alabama banking corporation, or (b) any assignee of Bank’s right, title or interest in this Agreement and other amounts due hereunder.

“Bond Counsel” means The Weist Law Firm, or any other attorney or firm of attorneys acceptable to the City of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income pursuant to Section 103 of the Code.

“Bond Law” means Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with section 53570 thereof.

“2006 Bonds” means the Authority’s 2006 Water and Wastewater Revenue Bonds, Series A, issued on March 2, 2006 in the original principal amount of \$75,060,000.

“Business Day” means a day other than a Saturday, Sunday or legal holiday, on which banking institutions in the State of California are not closed.

“Certificate,” “Request” and “Requisition” of the City means a written certificate, request or requisition signed in the name of the City by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

“City” means the City of Ukiah, a municipal corporation and general law city, duly organized and validly existing under the laws of the State of California.

“City Council” means the City Council of the City.

“City-District 2020 Refinancing Agreement” means the agreement dated as of February 1, 2020, by and between the City and District.

“City Manager” means the City Manager of the City.

“Closing Date” means the date on which the 2020 Obligations are purchased by the Bank.

“Code” means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code herein shall be deemed to include the United States Treasury regulations, including temporary and proposed regulations relating to each such section that are applicable to the Parity Obligations or the use of the proceeds thereof.

“Computation Year” means, with respect to the 2020 Obligations, the period beginning on the Closing Date and ending on February __, 2021, and each successive one-year period thereafter through the Term of the 2020 Obligations.

“Connection(s)” means the lateral sewer line that serves to transport wastewater directly from any property or structure (residential, commercial, industrial, or otherwise) to a sewer main located within the Wastewater Enterprise.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City relating to the execution and delivery of this 2020 Obligations, including but not limited to City administration costs and expenses, fees and expenses of consultants and professionals, fees and expenses of the municipal advisor and any placement agents, legal fees and charges, insurance fees and charges, filing costs, settlement costs, printing costs, reproduction and binding costs, regulatory fees, including, but not limited to, fees charged by the California Debt and Investment Advisory Commission, and fees for execution, transportation and safekeeping of this Agreement and the Promissory Note, and all other charges and fees in connection with the foregoing.

“Costs of Issuance Fund” means the fund by that name established pursuant to Section 3.3 hereof.

“County” means the County of Mendocino, California.

“Date of Taxability” means the date from and for which interest on the 2020 Obligations is subject to federal income taxation as a result of a Determination of Taxability.

“Debt Service” means, for any Fiscal Year, the sum of (1) the interest falling due during such Fiscal Year on all Parity Obligations that are outstanding under the documents or agreements pursuant to which they were issued, assuming that all outstanding serial Parity Obligations are retired as scheduled and that all outstanding term Parity Obligations are redeemed from sinking fund payments as scheduled (except to the extent that such interest has been fully capitalized and is invested in Federal Securities that mature at times and in such amounts as are necessary to pay the interest to which such amounts are pledged), (2) the principal amount of all serial Parity Obligations (that are outstanding under the documents or agreements pursuant to which they were issued) falling due by their terms during such Fiscal Year, and (3) the minimum amount of term Parity Obligations (that are outstanding under the documents or agreements pursuant to which they were issued) required to be paid or called and redeemed during such Fiscal Year, together with the redemption premiums, if any, thereon; provided that, (A) whenever interest as described herein accrues at other than a fixed rate, such interest shall be assumed to be a rate equal to the greater of (i) the actual rate on the date of calculation, or if the Parity Obligations are not yet outstanding, the initial rate (if established and binding), (ii) if the Parity Obligations have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (x) if interest on the Parity Obligations is excludable from gross income under the applicable provisions of the Code, the most recently published The Bond Buyer Bond Revenue Index (or comparable index if no longer published) plus one hundred fifty (150) basis points, or (y) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities, plus one hundred fifty (150) basis points, and (B) for purposes of calculating the Debt Service on any Parity Obligation requiring a balloon payment at maturity, such interest shall be assumed to be a rate equal to the greater of (i) the actual rate on the date of calculation, or (ii) six percent (6%), and the principal shall be assumed to be fully amortized, solved for substantially level debt service, over a period of eighteen (18) years from the date of calculation.

“Default Rate” means the then applicable interest rate on the 2020 Obligations plus 5%.

“Determination of Taxability” means any determination, decision, or decree made by the Internal Revenue Service, or by any court of competent jurisdiction, that as a result of actions or omissions of the City the interest payable on the 2020 Obligations is includable in the gross income for federal income tax purposes of the Bank; *provided, however*, that no such Determination of Taxability shall be deemed to have occurred if the City is contesting such determination in good faith and is proceeding diligently to prosecute such contest until the earliest of (a) a final determination from which no appeal may be taken with respect to such determination, or (b) abandonment of such appeal by the City.

“District” means the Ukiah Valley Sanitation District, a county sanitation district duly organized and existing under the Sanitation District Act of the State of California.

“District Indenture” means the Indenture dated as of February 1, 2020 between the Ukiah Valley Sanitation District and U.S. Bank National Association, relating to the issuance of the District’s 2020 Bonds.

“District’s Allocable Share” means the allocable share of 2006 Installment Payments assumed by the District under the 2006 Financing Agreement.

“District’s 2020 Bonds” means the private placement financing presently being sought by the District, the proceeds of which the District intends to use to prepay the District’s Allocable Share.

“Enterprise” or “Wastewater Enterprise” means, collectively, the entire system of the City for the collection, treatment, storage and disposal of wastewater (but excluding the City’s recycled water system to the extent it conflicts with any agreements pertaining thereto) now or hereafter owned and/or operated by the City, and all other properties, structures or works hereafter acquired and constructed by the City and determined to be a part of the Enterprise, including, but not limited to, all facilities, works, properties, easements, rights-of-way, structures and assets, real and personal, tangible and intangible, of the City, now or hereafter existing, used or pertaining to the collection, treatment, storage and disposal of wastewater, together with all additions, betterments, extension and improvements to such facilities or any part thereof hereafter acquired or constructed.

“ESSU(s)” means the equivalent sewer service units assigned to a Connection or reserved for a Connection (residential, commercial, industrial, or otherwise), determined in accordance with the Operating Agreement.

“Event of Default” means an event described in Section 6.1 hereof.

“Event of Realignment” means the transfer of Connections from the District to the City as a result of LAFCO proceedings pertaining to the Overlap Area.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with

applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security – State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

“Federal Securities” means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; and (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are fully, unconditionally and directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

“2006 Financing Agreement” means the Financing Agreement, dated March 2, 2006, by and between the District and City, whereby the District agreed, among other things, to assume responsibility for an allocable share of the 2006 Installment Payments.

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the City, as applicable, as its official fiscal year period.

“Generally Accepted Accounting Principles” means the generally accepted accounting principles as presented and recommended by the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

“Governmental Authority” means any governmental or quasi-governmental entity, including any court, department, commission, board, bureau, agency, administration, central bank, service, district or other instrumentality of any governmental entity or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government, or any arbitrator, mediator or other person with authority to bind a party at law.

“Independent Certified Public Accountant” means any firm of certified public accountants appointed by the City that is independent according to the Statement of Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

“Independent Engineer” means any registered engineer or firm of engineers generally recognized to be well-qualified in engineering matters relating to water systems similar to the Enterprise, appointed and paid by the City, and who or each of whom:

- (1) is in fact independent and not under the domination of the City;

(2) does not have a substantial financial interest, direct or indirect, in the City; and

(3) is not connected with the City as a councilmember, officer or employee of the City, but may be regularly retained to make reports to the City.

“Independent Financial Consultant” means a financial consultant qualified in the field of municipal finance, appointed and paid by the City, and who:

(1) is in fact independent and not under the domination of the City or any member thereof;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and

(3) is not connected with the City as an officer or employee of the City or any member thereof, but may be regularly retained to audit the accounting records of and make reports thereon to the City.

“2006 Installment Sale Agreement” means the Installment Sale Agreement, dated as of March 1, 2006, by and between the City and the Authority, relating to the 2006 Bonds.

“Insurance Consultant” means any nationally recognized independent actuary, insurance company or broker that has actuarial personnel knowledgeable with respect to insurance carried, by, required for and available to special districts operating facilities similar to the Enterprise, including a pooled self-insurance program in which premiums are established on the basis of the recommendation of an actuary of national reputation.

“Interest Account” means the account by that name in the Revenue Fund established pursuant to Section 4.3 hereof.

“Interest Component” means the portion of each 2020 Obligation Payment designated as Interest Component, as such is set forth on Exhibit A hereto.

“Interest Payment Date” means March 1 and September 1 of each year, commencing September 1, 2020, and continuing to and including the date on which the 2020 Obligation Payments have been paid in full.

“LAFCO” means the Local Agency Formation Commission of Mendocino County.

“Maintenance and Operation Costs” means the reasonable and necessary costs and expenses paid by the City for maintaining and operating the Enterprise (including any reconciliation and true up payments required to be paid by the City to the District under the Operating Agreement), as determined in accordance with Generally Accepted Accounting Principles, including but not limited to (a) costs associated with the collection, treatment storage and disposal of wastewater processed by the Enterprise, (b) costs of electricity and other forms of energy supplied to the Enterprise, (c) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Enterprise in good repair and working order, (d) the reasonable administrative costs of the City attributable to the operation and maintenance of the Enterprise, such as salaries and wages of employees, payments to the Public

Employees Retirement System, overhead, taxes (if any) and insurance premiums, and (e) all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms hereof, the Operating Agreement or any resolution authorizing the issuance of any Parity Obligations or of such Parity Obligations, such as compensation, reimbursement and indemnification of the trustee for any such Parity Obligations and fees and expenses of Independent Certified Public Accountants and Independent Engineers, but in all cases excluding (i) transfers to other City departments that are not for a purpose set forth in (a) through (e) above, (ii) costs of capital additions, replacements, betterments, extensions or improvements to the Enterprise that under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation, (iii) debt service payable on obligations incurred by the City with respect to the Enterprise, (iv) depreciation, replacement and obsolescence charges or reserves therefor, (v) amortization of prepaid expenses, and (vi) amortization of intangibles or other bookkeeping entries of a similar nature.

“Material Adverse Effect” means an event or occurrence which adversely affects in a material manner (a) the assets, liabilities, condition (financial or otherwise), business, facilities or operations of the Enterprise, (b) the ability of the City to carry out its business in the manner conducted as of the date of this Agreement or to meet or perform its obligations under this Agreement on a timely basis, or the (c) the validity or enforceability of this Agreement.

“Material Litigation” means any action, suit, proceeding, inquiry or investigation against the City in any court or before any arbitrator of any kind or before or by any Governmental Authority, of which the City has notice or knowledge and which, (i) if determined adversely to the City, may have a Material Adverse Effect, (ii) seeks to restrain or enjoin any of the transactions contemplated hereby, or (iii) may adversely affect (A) the exclusion of interest with respect to the 2020 Obligation Payments from gross income for federal income tax purposes or the exemption of such interest for state income tax purposes or (B) the ability of the City to perform its obligations under this Agreement.

“Maximum Annual Debt Service” means the greatest amount of Debt Service with respect to the Parity Obligations to which reference is made coming due in any Fiscal Year including the Fiscal Year in which the calculation is made or any subsequent Fiscal Year.

“Mayor” means the Mayor of the City.

“Vice Mayor” means the Vice Mayor of the City.

“Net Proceeds” means insurance proceeds or an eminent domain award (including any proceeds of sale to a governmental entity under threat of the exercise of eminent domain powers), paid with respect to the Enterprise, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

“Net Revenues” means for any period, all of the Revenues during such period less all of the Maintenance and Operation Costs during such period.

“Note” or “Promissory Note” means the Promissory Note, dated February __, 2020, evidencing the 2020 Obligations, the form of which is attached hereto as Exhibit C.

“2020 Obligation Payment Dates” means collectively, the Interest Payment Dates and the Principal Payment Dates; provided that if any Payment Date shall fall on a non-Business Day, the Payment Date shall be the next succeeding Business Day and interest on such payment shall accrue to and including such next succeeding Business Day.

“2020 Obligation Payments” means all payments required to be paid by the City, as such is set forth on Exhibit A hereto, as may be amended from time to time, on each Payment Date pursuant to Section 4.2, and including any prepayment thereof pursuant to Section 3.4 or 3.5 hereof.

“Operating Agreement” means the Operating Agreement dated October 3, 2018, by and between the City and the District, as may be amended from time to time.

“2020 Obligation Proceeds” means the \$ _____ amount received by the City from the Bank on the Closing Date.

“2020 Obligations” means the City of Ukiah, Series 2020 Wastewater Revenue Refunding Obligations (2020 Wastewater Refunding Project), structured and consummated pursuant to this Agreement, as evidenced by the Promissory Note.

“Overlap Area” means that portion of the District’s jurisdictional boundaries that is within the City limits of the City.

“Parity Obligations” means the 2020 Obligations and corresponding 2020 Obligation Payments, and all other bonds, notes, loan agreements, installment sale agreements, leases, or other obligations of the City payable from and secured by a pledge of and lien upon any of the Net Revenues incurred on a parity with the 2020 Obligations, issued in accordance with Section 5.13 hereof.

“Parity Obligations Documents” means, collectively, the indenture of trust, trust agreement, installment sale agreement, loan agreement or other document authorizing the issuance of any Parity Obligations or any securities which evidence Parity Obligations.

“Parity Payments” means all payments scheduled to be paid by the City under Parity Obligations.

“Person” means an individual, corporation, firm, association, partnership, limited liability company, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Account” means the account by that name in the Revenue Fund established pursuant to Section 4.3 hereof.

“Principal Component” means the portion of each 2020 Obligation Payment designated as a Principal Component, as such is set forth on Exhibit A hereto.

“Principal Payment Date” means March 1 of each year, beginning March 1, 2021 and continuing to and including the date on which the 2020 Obligations have been paid in full.

“Prior Obligation Documents” means, collectively, the 2006 Trust Agreement and the 2006 Installment Sale Agreement.

“Prior Trustee” means Wells Fargo Bank, National Association, as trustee under the 2006 Trust Agreement.

“Rate Stabilization Fund” means the fund by that name established and maintained pursuant to Section 5.3(d) hereof.

“Refunding Instructions” means the Irrevocable Refunding Instructions, dated as of February 1, 2020, by and between the City and Prior Trustee, relating to the prepayment and refunding of the 2006 Bonds.

“Request of the City” or “Written Request” means a request in writing signed by the Mayor, Vice Mayor, City Manager, Finance Director, City Clerk, or by any other officer of the City duly authorized for that purpose.

“Resolution” means the Resolution No. _____, adopted by the City Council on January __, 2020, authorizing the execution and delivery of this Agreement, and otherwise providing for the execution and delivery of the 2020 Obligations.

“Revenue Fund” means the fund by that name established and maintained pursuant to Section 4.3 hereof.

“Revenues” means all gross income and revenue received or receivable by the City from the ownership and operation of the Enterprise, calculated in accordance with Generally Accepted Accounting Principles, including, without limiting the generality of the foregoing, (1) all rates, rent, fees, business interruption insurance proceeds, connection fees and charges, insurance proceeds and condemnation awards received by the City and all other income and revenue howsoever derived by the City from the Enterprise, (2) the earnings on and income derived from the investment of amounts described in clause (1) above and from City reserves held for the Enterprise, including the Rate Stabilization Fund, (3) the proceeds derived by the City directly or indirectly from the sale, lease or other disposition of a part of the Enterprise; (4) any reconciliation and true up payments required to be paid by the District to the City under the Operating Agreement; *provided, however*, that (i) any specific charges levied for the express purpose of reimbursing others for all or a portion of the cost of the acquisition or construction of specific Enterprise facilities, (ii) advances or contributions in aid of construction, (iii) grants that are designated by the grantor for a specific Enterprise purpose (and are therefore not available for general operational purposes), (iv) customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the City, and (v) the proceeds of any special assessments or special taxes levied upon real property within any improvement district served by the City for the purpose of paying special assessment bonds or special tax obligations of the City relating to the Enterprise, are not Revenues and are not subject to the lien hereof. Notwithstanding the foregoing, there shall be added to Revenues any amounts transferred out of the Rate Stabilization Fund and into the Revenue Fund, as contemplated by Section 5.3(d) hereof.

“State” means the State of California.

“Subordinate Debt” means indebtedness or other obligations (including but not limited to loans, leases and installment sale agreements) hereafter issued or incurred and secured by a pledge of and lien on Net Revenues subordinate to the pledge and lien securing the 2020 Obligation Payments.

“Taxable Rate” means a rate equal to % per annum calculated based on a 360-day year of twelve thirty-day months.

“Tax Certificate” means the Tax Certificate delivered by the City in connection with the issuance and delivery of the 2020 Obligations, as the same may be amended or supplemented in accordance with its terms.

“Tax Regulations” means temporary and permanent regulations promulgated under or with respect to Sections 103, 141, 148 and all related sections of the Code.

“Term” or “Term of this Agreement” means the time during which this Agreement is in effect, as provided in Section 3.3 hereof.

“2006 Trust Agreement” means the Trust Agreement, dated as of March 1, 2006, by and among the City, the Authority and the Prior Trustee, relating to the issuance of the 2006 Bonds.

“2020 Trustee” means the trustee acting under the District Indenture.

Section 1.2. Liability of City Limited to Net Revenues. Notwithstanding anything to the contrary contained in this Agreement, the City shall not be required to advance any money derived from any source of income other than the Net Revenues, for the payment of the principal of or interest or prepayment premiums, if any, on the 2020 Obligations or for the performance of any covenants herein contained, nor for the maintenance and operation of the Enterprise from any source of income other than the Revenues. The City may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose without incurring any indebtedness. The 2020 Obligations shall be payable exclusively from the Net Revenues as in this Agreement provided. The credit of the City is not pledged for the payment of the 2020 Obligations or its interest. The principal of and interest on the 2020 Obligations and any prepayment premiums upon the prepayment thereof shall not be a debt of the City, nor a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the City or any of its income, receipts, or revenues, except the Net Revenues pledged to the payment thereof as provided in this Agreement.

Section 1.3. Benefits of Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the City and the Bank any right, remedy or claim under or pursuant hereto. Any agreement or covenant required herein to be performed by or on behalf of the City shall be for the sole and exclusive benefit of the Bank.

Section 1.4. Successor Is Deemed Included in all References to Predecessor. Whenever the City is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the City, and all agreements and covenants required hereby to be performed by or on behalf of the City shall bind and inure to the benefit of the successors thereof whether so expressed or not.

Section 1.5. Waiver of Personal Liability. No member of the City Council and no officer, agent, or employee of the City, or of any department or agency thereof, shall be individually or personally liable for the payment of the principal of or interest on the 2020 Obligations or any other matter related hereto, but nothing contained herein shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or hereby.

Section 1.6. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. Words of any gender shall be deemed and construed to include all genders. All references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith” and other words of similar import refer to this Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 1.7. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the City shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or the 2020 Obligations; but the Bank shall retain all the rights and benefits accorded to it under any applicable provisions of law. The City hereby declares that it would have adopted this Agreement and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

ARTICLE II

COVENANTS, REPRESENTATIONS AND WARRANTIES

Section 2.1. Covenants, Representations and Warranties of the City. The City makes the following covenants, representations and warranties to the Bank as of the date of the execution and delivery of this Agreement:

- (a) The City is a municipal corporation and general law city, duly organized and validly existing under the laws of the State.
- (b) The City has full legal right, power and authority under the laws of the State to adopt the Resolution and to enter into this Agreement and the transactions contemplated herein, including, but not limited to, the refunding of the 2006 Bonds, and to carry out its obligations hereunder and thereunder.

- (c) With the exception of the pledge of the Net Revenues made hereunder, the Net Revenues have not otherwise been pledged and there are no other liens against the Net Revenues, senior to, or on parity with the 2020 Obligations Payments.
- (d) By all necessary official action, the City has duly adopted the Resolution, has duly authorized and approved the execution and delivery of, and the performance of its obligations under, this Agreement, the Refunding Instructions, the City-District 2020 Refinancing Agreement, and the consummation by it of all other transactions contemplated by this Agreement, the Refunding Instructions, the City-District 2020 Refinancing Agreement and the Resolution. When executed and delivered by the City, this Agreement, the Refunding Instructions, the City-District 2020 Refinancing Agreement and the 2020 Obligations will be in full force and effect and will constitute legal, valid and binding agreements or obligations of the City, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State.
- (e) The City's comprehensive annual financial report for the period ended June 30, 2019, presents fairly the financial condition of the City and the Enterprise as of the date hereof and the results of operation for the period covered thereby. Except as has been disclosed to the Bank, there has been no change in the financial condition of the City or the Enterprise since June 30, 2019, that will in the reasonable opinion of the City materially impair its ability to perform its obligations under this Agreement. All information provided by the City to the Bank with respect to the financial performance of the Enterprise is accurate in all material respects as of its respective date and does not omit any information necessary to make the information provided not misleading.
- (f) As currently conducted, the City's activities with respect to the Enterprise are in all material respects in compliance with all applicable laws, administrative regulations of the State of California and of the United States and any agency or instrumentality of either, and any judgment or decree to which the City is subject.
- (g) The City is not in any material respect in breach of or default under any constitutional provision, law or administrative regulation of the State or of the United States or any agency or instrumentality of either or any judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or to which the City or any of its property or assets is otherwise subject (including, without limitation, the Resolution, the Refunding Instructions, the City-District 2020 Refinancing Agreement and this Agreement), and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument; and the adoption of the Resolution, the execution, delivery of the 2020 Obligations and the execution and delivery of the Refunding Instructions, the City-District 2020 Refinancing Agreement and this Agreement and compliance with the City's obligations therein and herein will not in any material respect conflict with, violate or result in a breach of or constitute a default under, any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, agreement, mortgage, lease or other instrument

to which the City is a party or to which the City or any of its property or assets is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the City or under the terms of any such law, regulation or instruments, except as provided by the Resolution, the Refunding Instructions, the City-District 2020 Refinancing Agreement and this Agreement.

- (h) No action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, government agency, public board or body, is pending or, to the best of the City's knowledge, threatened against the City: (i) in any way affecting the existence of the City or in any way challenging the respective powers of the several offices or the titles of the officials of the City to such offices; (ii) affecting or seeking to prohibit, restrain or enjoin the making, execution or delivery of the Refunding Instructions, the City-District 2020 Refinancing Agreement, the 2020 Obligations or this Agreement or the application of the 2020 Obligation Proceeds; (iii) in any way contesting or affecting, as to the City, the validity or enforceability of the Bond Law, the Resolution, the Refunding Instructions, the City-District 2020 Refinancing Agreement, the 2020 Obligations or this Agreement; (iv) in any way contesting the powers of the City or its authority with respect to execution or delivery of the 2020 Obligations, the adoption of the Resolution, or the execution and delivery of the Refunding Instructions, this Agreement or the City-District 2020 Refinancing Agreement; (v) contesting the exclusion from gross income of interest on the 2020 Obligations for federal income tax purposes; or (vi) in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby or that might materially adversely affect the ability of the City to perform and satisfy its obligations under the Refunding Instructions, the City-District 2020 Refinancing Agreement, the 2020 Obligations or this Agreement; nor to the best of the City's knowledge is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the Bond Law, the proceedings authorizing the Resolution, the Refunding Instructions, the City-District 2020 Refinancing Agreement, the 2020 Obligations or this Agreement or the performance by the City of its obligations thereunder, or the authorization, execution, delivery or performance by the City of the Refunding Instructions, the City-District 2020 Refinancing Agreement, the 2020 Obligations, the Resolution or this Agreement.
- (i) The City is not in default, and at no time has defaulted in any material respect, on any bond, note or other obligation for borrowed money or any agreement under which any such obligation is or was outstanding.
- (j) All consents, approvals, authorizations, orders, licenses or permits of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter, that are required for the due authorization by, or that would constitute a condition precedent to or the absence of which would materially adversely affect the execution or delivery of the 2020 Obligations and the execution, delivery of and performance of this Agreement by the City have been duly obtained (except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the 2020 Obligations, as to which no representation is made).

- (k) The City has the legal authority to apply and will apply, or cause to be applied, the 2020 Obligation Proceeds as provided in and subject to all of the terms and provisions of the Bond Law, the Resolution and this Agreement, and will not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the 2020 Obligations.
- (l) The City has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the City is a bond issuer whose arbitrage certificates may not be relied upon.
- (m) Any certificate, signed by any official of the City authorized to do so in connection with the transactions described in this Agreement, shall be deemed a representation and warranty by the City to the Bank as to the statements made therein.
- (n) As of the Closing Date:
 - (i) There has been no change in the assets, liabilities, financial position or results of operations of the City which might reasonably be anticipated to cause a Material Adverse Effect;
 - (ii) The City has not incurred any obligations or liabilities which might reasonably be anticipated to cause a Material Adverse Effect;
 - (iii) Relative to the Enterprise, the City has not (A) incurred any material indebtedness, other than the 2020 Obligation Payments and trade accounts payable arising in the ordinary course of the Enterprise business and not past due, or (B) guaranteed the indebtedness of any other person; and
 - (iv) Relative to the Settlement Agreement, there are no material adverse changes or amendments to the Settlement Agreement.
- (p) This Agreement represents a negotiated transaction, and the City understands, and hereby confirms, that the Bank is not acting as a fiduciary of the City, but rather is acting solely in its capacity as Bank, for its own account. The City acknowledges and agrees that (i) the transaction contemplated herein is an arm's length commercial transaction between the City and the Bank and its affiliates, (ii) in connection with such transaction, the Bank and its affiliates are acting solely as a principal and not as an advisor including, without limitation, a "Municipal Advisor" as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules (the "Municipal Advisor Rules"), (iii) the Bank and its affiliates are relying on the bank exemption in the Municipal Advisor Rules, (iv) the Bank and its affiliates have not provided any advice or assumed any advisory or fiduciary responsibility in favor of the City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (whether or not the Bank, or any affiliate of the Bank, has provided other services or advised, or is currently providing other services or advising the City on other matters), (v) the Bank and its affiliates have financial and other interests that differ from those of the City, and (vi) the City has consulted with its own financial, legal, accounting, tax and other advisors, as applicable, to the extent it deemed appropriate.

ARTICLE III

TERMS OF THE 2020 OBLIGATIONS

Section 3.1. Term; 2020 Obligations Proceeds. The Term of the 2020 Obligations shall commence on the Closing Date and shall end on the date on which the 2020 Obligations shall be paid in full or provision for such payment shall be made as provided herein. The 2020 Obligations shall be purchased by the Bank in the aggregate amount of \$_____ in immediately available funds on the Closing Date (the “2020 Obligation Proceeds”). On the Closing Date, the Bank shall transfer the 2020 Obligation Proceeds as set forth in Section 3.2 below.

Section 3.2. Deposit and Application of 2020 Obligation Proceeds. The City hereby instructs the Bank (to which the Bank also agrees) to:

(a) wire transfer \$_____ of the 2020 Obligation Proceeds to the 2006 Trustee to be deposited and applied in accordance with the Refunding Instructions in connection with the prepayment of 2006 Installment Payments and corresponding defeasance of the 2006 Bonds; and

(b) set aside the \$_____ balance of the 2020 Obligation Proceeds (the “COI Set-Aside”) on the City’s behalf for payment of Costs of Issuance with respect to the 2020 Obligations, which shall be disbursed by the Bank on behalf of the City upon delivery of a requisition, substantially in the form attached hereto as Exhibit D, executed by an Authorized Representative of the City.

Section 3.3. Costs of Issuance Fund. The City shall establish or cause to be established to the extent needed a fund known as the “Costs of Issuance Fund.” To the extent that not all of the COI Set-Aside is paid by the Bank with 2 Business Days of the Closing Date pursuant to Section 3.2 above, the Bank shall immediately transfer any remaining balance to the City, and the City shall immediately deposit or cause to be deposited such amount into the Costs of Issuance Fund. The COI Set-Aside and all moneys in the Costs of Issuance Fund shall be used from time to time to pay Costs of Issuance with respect to the 2020 Obligations and shall be disbursed by or on behalf of the City upon delivery of a requisition, substantially in the form attached hereto as Exhibit D, executed by an Authorized Representative of the City.

On the date that is not later than 180 days following the Closing Date, or upon the earlier date selected by the City, the City shall transfer all remaining amounts (if any) in the Costs of Issuance Fund to the Revenue Fund and the City shall close the Costs of Issuance Fund.

Section 3.4. Optional Prepayment. Upon thirty (30) days’ prior written notice to the Bank, the City may prepay the 2020 Obligations without prepayment premium in full or in part on any day on or after February __, 2027 from any lawfully available source of funds, by depositing with the Bank immediately available funds equal to a prepayment price equal to 100% of the principal amount of 2020 Obligations being prepaid, together with accrued interest to the prepayment date.

Section 3.5. Prepayment upon Casualty Loss or Governmental Taking. At the City’s option, and upon thirty (30) days’ prior written notice to the Bank, the 2020 Obligations shall be

subject to prepayment as a whole or in part on any date, from the Net Proceeds of casualty insurance or a governmental taking of the Enterprise or portions thereof by eminent domain proceedings, under the circumstances and upon the conditions and terms prescribed herein, at a prepayment price equal to the sum of the principal prepaid plus accrued interest thereon to the date fixed for prepayment, without premium.

Section 3.6. Execution of the Agreement. The execution of this Agreement by an Authorized Representative shall constitute conclusive evidence of such officers' and the City Council's approval hereof, including any changes, insertions, revisions, corrections, or amendments as may have been made hereto.

Section 3.7. Assignment by the Bank. The Bank's right, title and interest in and to this Agreement and the Note, with prior written notice to the City, may be assigned and reassigned to one or more assignees or sub-assignees by Bank, without the necessity of obtaining the consent of City; provided that such assignment shall not result in more than thirty-five (35) assignees or sub-assignees of the Bank's rights and interests in this Agreement and the Note, or that such assignment shall not result in the creation of any interest in this Agreement and the Note in an aggregate principal amount that is less than one hundred thousand dollars (\$100,000); and further provided that Bank has filed with the City at least five Business Days' prior written notice thereof along with an executed copy of an investor's letter addressed to the City and the Bond Counsel substantially in the form of the Investor Letter delivered by the Bank on the Closing Date attached hereto as Exhibit B. The City shall pay all 2020 Obligation Payments hereunder to the Bank, as provided in Section 4.2 hereof, or under the written direction of the assignee named in the most recent assignment or notice of assignment filed with the City.

Section 3.8. Closing Conditions. The Bank has entered into this Agreement in reliance upon the representations and warranties of the City contained in this Agreement and to be contained in the documents and instruments to be delivered on the Closing Date and upon the performance by the City of the obligations of the City pursuant to this Agreement at or prior to the Closing Date. Accordingly, the obligation of Bank to execute this Agreement is subject to the fulfillment to the reasonable satisfaction of the Bank of the following conditions:

(a) The representations and warranties of the City contained in this Agreement shall be true, complete and correct on the Closing Date.

(b) On the Closing Date, the Resolution, the Refunding Instructions, the City-District 2020 Refinancing Agreement, this Agreement and the Note shall be in full force and effect and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Bank.

(c) On the Closing Date, the City will have adopted and there will be in full force and effect such resolutions as in the opinion of Bond Counsel shall be necessary in connection with the transactions contemplated by this Agreement, and all necessary action of the City relating to the issuance of the 2020 Obligations will have been taken, will be in full force and effect and will not have been amended, modified or supplemented, except as may have been agreed to in writing by the Bank.

(d) At or prior to the Closing Date, the Bank will have received the following documents:

(i) the approving opinions, dated the Closing Date and addressed to the Bank, of Bond Counsel in form and content satisfactory to the Bank, to the effect that (I) the interest on the 2020 Obligations is excluded from gross income for State and federal income tax purposes, (II) the Agreement and Note have been duly authorized, executed and delivered by the City and are legal, valid and binding obligations of the City, enforceable in accordance with their respective terms, subject to customary exceptions for bankruptcy and judicial discretion, [and (III) the 2006 Bonds have been legally defeased];

(ii) a certificate or certificates, dated the Closing Date and signed on behalf of the City by an Authorized Representative, to the effect that (I) the representations and warranties contained in this Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (II) no litigation of any nature is then pending or, to his or her knowledge, threatened, seeking to restrain or enjoin the issuance and delivery of the 2020 Obligations or the levy or collection of revenues to pay the principal thereof and interest thereon, questioning the proceedings and authority by which such pledge is made, affecting the validity of the 2020 Obligations or contesting the existence or boundaries of the City or the title of the present officers to their respective offices; (III) no authority or proceedings for the issuance of the 2020 Obligations has been repealed, revoked or rescinded and no petition or petitions to revoke or alter the authorization to issue the 2020 Obligations has been filed with or received by the City; and (IV) the City has complied with all the agreements and covenants and satisfied all the conditions on its part to be performed or satisfied at or prior to, and to the extent possible before, the Closing Date;

(iii) a conformed certified copy of the Resolution;

(iv) the items required by the Resolution as conditions for execution and delivery of the 2020 Obligations;

(v) a Tax Certificate of the City, in form and substance satisfactory to Bond Counsel;

(vi) the preliminary filings with the California Debt and Investment Advisory Commission;

(vii) the opinion of the City Attorney, dated the Closing Date, addressed to the Bank and Bond Counsel, to the effect that:

(A) the City is a municipal corporation and general law city, duly organized and validly existing under the laws of the State of California, and has all requisite power and authority thereunder: (a) to adopt the Resolution, and to enter into, execute, deliver and perform its covenants and agreements under the Agreement, the Refunding Instructions, the City-District 2020 Refinancing Agreement and the Note; (b) to make, execute and deliver the Agreement, the Refunding Instructions, the City-District 2020 Refinancing Agreement and Note;

(c) to pledge the Net Revenues as contemplated by the Agreement; and (d) to carry on its activities as currently conducted;

(B) the City has taken all actions required to be taken by it prior to the Closing Date material to the transactions contemplated by the Agreement, the Refunding Instructions, the City-District 2020 Refinancing Agreement and the Note, and the City has duly authorized the execution and delivery of, and the due performance of its obligations under, the Agreement, the Refunding Instructions, the City-District 2020 Refinancing Agreement and the Note;

(C) the adoption of the Resolution, the execution and delivery by the City of the Agreement, the Refunding Instructions, the City-District 2020 Refinancing Agreement and the Note and the compliance with the provisions of the Agreement, the Refunding Instructions, the City-District 2020 Refinancing Agreement and the Note, to the best of such counsel's knowledge after due inquiry, do not and will not conflict with or violate in any material respect any California constitutional, statutory or regulatory provision, or, to the best of such counsel's knowledge after due inquiry, conflict with or constitute on the part of the City a material breach of or default under any agreement or instrument to which the City is a party or by which it is bound;

(D) no litigation is pending with service of process completed or, to the best of such counsel's knowledge after due inquiry, threatened against the City in any court in any way affecting the titles of the officials of the City to their respective positions, or seeking to restrain or to enjoin the execution and delivery of the Agreement, Note, the Refunding Instructions or the City-District 2020 Refinancing Agreement, or the collection of revenues pledged or to be pledged to pay the principal of and interest on the 2020 Obligations, or in any way contesting or affecting the validity or enforceability of the Agreement, the Note, the Refunding Instructions, the City-District 2020 Refinancing Agreement or the Resolution, or contesting the powers of the City or its authority with respect to the Agreement, Note, the Refunding Instructions, the City-District 2020 Refinancing Agreement or the Resolution;

(E) to the best of such counsel's knowledge after due inquiry, no authorization, approval, consent or other order of the State or any local agency of the State, other than such authorizations, approvals and consents which have been obtained, is required for the valid authorization, execution and delivery by the City of the Agreement, Note, the Refunding Instructions or the City-District 2020 Refinancing Agreement; and

(F) to the best of such counsel's knowledge after due inquiry, the City is not in breach of or default under any applicable law or administrative regulation of the State or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, which breach or default would materially adversely affect the City's ability to enter into or perform its obligations under the Agreement, Note,

the Refunding Instructions or the City-District 2020 Refinancing Agreement, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument; and

(viii) such additional legal opinions, certificates, instruments and other documents as the Bank or its counsel may reasonably request to evidence the truth and accuracy, as of the date of this Agreement and as of the Closing Date, of the representations, warranties, agreements and covenants of the City contained herein and the due performance or satisfaction by the City at or prior to the Closing Date of all agreements then to be performed and all conditions then to be satisfied by the City.

Section 3.9. Bank's Consent to Assignment and Assumption. The Bank hereby consents and agrees that upon an Event of Realignment the City shall have the right, at its option, either (i) refinance or otherwise prepay (in accordance with the optional prepayment provisions set forth in Section 3.4 hereof) the Attributable Debt Service, or (ii) assume the Attributable Debt Service (the "Assumed Debt Service"), in accordance with the process and procedures set forth in the City-District 2020 Refinancing Agreement (the "Assignment and Assumption"), whereupon the Assumed Debt Service shall then be treated as being owed by the City in the same manner and terms as 2020 Obligation Payments as if issued as Parity Obligations under Section 5.13 hereof.

The Bank agrees to take all necessary action and execute all documents to assist the City with such Assignment and Assumption.

ARTICLE IV

SECURITY

Section 4.1. Pledge of Net Revenues. The City hereby irrevocably pledges all of the Net Revenues and amounts on deposit in the Revenue Fund to the punctual payment of the 2020 Obligation Payments. This pledge shall constitute a first lien on the Net Revenues for the payment of the 2020 Obligations in accordance with the terms hereof, which lien is on parity with the lien on Net Revenues that secures the payment of Parity Obligations. The Net Revenues will not be used for any other purpose while any of the 2020 Obligation Payments are unpaid, except as otherwise set forth herein.

Section 4.2. Repayment of the 2020 Obligations. The City hereby agrees to repay the 2020 Obligations from Net Revenues in the aggregate principal amount of \$ _____ together with interest (calculated at the rate of ____%, on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof, payable in semi-annual 2020 Obligation Payments in the respective amounts and on the respective 2020 Obligation Payment Dates specified in Exhibit A hereto, and by this reference made a part hereof. Anything to the contrary in this Agreement notwithstanding, from and after the Date of Taxability following a Determination of Taxability, the 2020 Obligations shall bear interest at the Taxable Rate.

Pursuant to Section 5451 of the Government Code of the State of California, the pledge of the Net Revenues by the City for the repayment of the principal of, premium, if any, and interest components of the 2020 Obligation Payments constitutes a first lien and security interest which immediately attaches to such Net Revenues, and is effective and binding against the City, its successors, creditors and all others asserting rights therein irrespective of whether those parties have notice of the pledge, irrespective of whether such amounts are or may be deemed to be a fixture and without the need for physical delivery, recordation, filing or further act.

So long as the 2020 Obligations are owned by the Bank, all principal and interest payments with respect to the 2020 Obligations shall be made by wire transfer in accordance with wire instructions provided by the Bank from time to time.

From and during the continuance of an Event of Default, the 2020 Obligations shall, at the option of Bank and with written notice to the City, bear interest at the Default Rate until such time as the Event of Default is cured or is otherwise no longer applicable. From and after the Date of Taxability following a Determination of Taxability, the interest rate on the 2020 Obligations shall be increased to the Taxable Rate until such time as the Determination of Taxability no longer exists.

Section 4.3. Revenues; Establishment and Application of Revenue Fund. The City hereby covenants and agrees to establish, maintain and hold in trust a separate special trust fund to be designated the “Revenue Fund” (herein referred to as the “Revenue Fund”) so long as the 2020 Obligations remains outstanding. Within the Revenue Fund the City shall establish and maintain a separate Interest Account, Principal Account and Redemption Account therein. The Revenue Fund shall be kept separate and apart from all other funds and accounts held by the City and shall be administered as provided herein. The City hereby covenants and agrees that all Revenues, when and as received, will be received and held by the City in trust for the benefit of the Bank and owners of any Parity Obligations, and will be allocated and deposited by the City in the Revenue Fund. All Revenues shall be disbursed, allocated and applied solely to the uses and purposes set forth as follows:

(a) All Revenues in the Revenue Fund shall be set aside or used by the City or deposited by the City with the trustee or fiscal agent with respect to Parity Obligations, as the case may be, as follows and in the following order of priority:

(1) Maintenance and Operation Costs. In order to carry out and effectuate the pledge and lien contained herein, the City agrees and covenants to pay all Maintenance and Operation Costs of the Enterprise (including amounts reasonably required to be set aside in contingency reserves for the Enterprise, the payment of which is not then immediately required) from the Revenue Fund as they become due and payable. The City shall annually prepare a budget for Maintenance and Operation Costs.

(b) All Net Revenues remaining in the Revenue Fund (after payment of all Maintenance and Operation Costs) on each 2020 Obligation Payment Date, shall be transferred by the City from the Revenue Fund and allocated to the following respective accounts (each of which the City shall establish and maintain within the Revenue Fund), the following amounts in the

following order of priority, the requirements of each such account (including the funding of any deficiencies in any such account resulting from insufficient Net Revenues necessary to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(1) Interest Account. On each Interest Payment Date, the City shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all outstanding Parity Obligations. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all outstanding Parity Obligations on such Interest Payment Date. All moneys in the Interest Account shall be used and withdrawn by the City solely for the purpose of paying interest on the Parity Obligations as it shall become due and payable (including accrued interest on any Parity Obligations purchased or redeemed prior to maturity pursuant to this Agreement). In the event that the amounts on deposit in the Interest Account on any Interest Payment Date are insufficient for any reason to pay the aggregate amount of interest then coming due and payable on the outstanding Parity Obligations, the City shall apply such amounts to the payment of interest on each of the outstanding Parity Obligations on a pro rata basis.

(2) Principal Account. On each Principal Payment Date on which the principal of Parity Obligations is payable, the City shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Parity Obligations coming due and payable on such Principal Payment Date and the amount of principal becoming due and payable on any mandatory sinking account payment due on all outstanding Parity Obligations, if any. All moneys in the Principal Account shall be used and withdrawn by the City solely for the purpose of paying the principal of the Parity Obligations at the maturity date or upon early redemption, as the case may be. In the event that the amounts on deposit in the Principal Account on any Principal Payment Date are insufficient for any reason to pay the aggregate amount of principal then coming due and payable on the outstanding Parity Obligations, the City shall apply such amounts to the payment of principal on each of the outstanding Parity Obligations on a pro rata basis.

(3) Redemption Account. The City shall establish and maintain a Redemption Account, amounts in which shall be used and withdrawn by the City solely for the purpose of paying the principal, interest and premium (if any) on the Principal Components to be redeemed pursuant to Section 3.4 or 3.5, as applicable.

(4) Subordinate Debt Repayment. Payments relating to principal and interest on or with respect to Subordinate Debt in accordance with the terms of such Subordinate Debt, without preference or priority, and in the event of any insufficiency of such moneys, ratably based on the respective principal amounts (including any accreted value) without any discrimination or preference.

(5) Subordinate Debt Reserve Accounts. To make payments required with respect to Subordinate Debt to replenish reserve accounts established therefor in accordance with the terms of such Subordinate Debt, without preference or priority, and in the event of any insufficiency of such moneys, ratably based on the respective principal amounts (including any accreted value) without any discrimination or preference.

(6) General Expenditures. For any lawful purpose of the City, including, but not limited to, any costs of capital improvements to the Enterprise.

Section 4.4. Rebate Fund. The City shall establish the Rebate Fund and shall comply with the requirements below. All money at any time deposited in the Rebate Fund shall be held by the City in trust, for payment to the United States Treasury. All amounts on deposit in the Rebate Fund shall be governed by this Section and the applicable Tax Certificate, unless the City obtains an opinion of Bond Counsel that the exclusion from gross income of interest on the 2020 Obligations will not be adversely affected for federal income tax purposes if such requirements are not satisfied.

(a) Excess Investment Earnings.

(i) Computation. Within 55 days of the end of each fifth Computation Year with respect to the 2020 Obligations, the City shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Rebate Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g. the temporary investments exception of Section 148(f)(4)(B) and the construction expenditure exception of Section 148(f)(4)(C) of the Code), for this purpose treating the last day of the applicable Computation Year as a computation date, within the meaning of Section 1.148-1(b) of the Rebate Regulations (the “Rebatable Arbitrage”). The City shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Transfer. Within 55 days of the end of each fifth Computation Year with respect to the 2020 Obligations, an amount shall be deposited to the Rebate Fund by the City from any legally available funds, including the other funds and accounts established herein, so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with clause (i) of this Section 4.4(a). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, the City shall withdraw the excess from the Rebate Fund and then credit the excess to the Revenue Fund.

(iii) Payment to the Treasury. The City shall pay to the United States Treasury, out of amounts in the Rebate Fund.

(X) Not later than 60 days after the end of (A) the fifth Computation Year with respect to the 2020 Obligations, and (B) each applicable fifth

Computation Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Computation Year; and

(Y) Not later than 60 days after the payment of all the 2020 Obligations, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Computation Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the City shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source, including the other funds and accounts established herein, equal to such deficiency in the Rebate Fund prior to the time such payment is due. Each payment required to be made pursuant to this Subsection 4.4(a)(iii) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T prepared by the City, or shall be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption, if any, and payment of the 2020 Obligations and the payments described in Section 4.4(a)(iii), shall be utilized in any manner by the City.

(c) Survival of Defeasance. Notwithstanding anything in this Section 4.4 or this Agreement to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance of this Agreement and any Parity Obligations.

Section 4.5. Special Obligation of the City; Obligations Absolute. The City's obligation to pay the 2020 Obligation Payments shall be a special obligation of the City limited solely to Net Revenues and amounts on deposit in the Revenue Fund. Under no circumstances shall the City be required to advance moneys derived from any source of income other than Net Revenues and other sources specifically identified herein for the payment of the 2020 Obligation Payments, nor shall any other funds or property of the City be liable for the payment of the 2020 Obligation Payments. Notwithstanding the foregoing provisions of this Section, however, nothing herein is intended to prohibit the City voluntarily from making any payment hereunder from any source of available funds of the City.

The obligations of the City to pay the 2020 Obligation Payments from Net Revenues, and to perform and observe the other agreements contained herein, shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the City, the Bank of any obligation to the City or otherwise with respect to the Enterprise, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the City by the Bank.

Until such time as all of the 2020 Obligation Payments shall have been fully paid or prepaid, the City (a) will not suspend or discontinue payment of any 2020 Obligation Payments, (b) will perform and observe all other agreements contained in this Agreement, and (c) will not terminate this Agreement for any cause, including, without limiting the generality of the foregoing,

the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Enterprise, sale of the Enterprise, the taking by eminent domain of title to or temporary use of any component of the Enterprise, commercial frustration of purpose, any change in the tax or other laws of the United States of America or the State or any political subdivision of either thereof or any failure of the Bank to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement.

Section 4.6. Reduction upon Partial Prepayment. In the event the City prepays less than all of the remaining Principal Components of the 2020 Obligation Payments pursuant to Sections 3.4 or 3.5 hereof, such prepayment shall be applied to the outstanding Principal Components in inverse order of maturity, unless otherwise requested by the City and agreed to in writing by the Bank in its sole discretion, and Exhibit A shall be revised accordingly and shall be and become for all purposes thereafter the “Amended Exhibit A to this Agreement.” The City shall forward copies of all such amendments to the Bank.

ARTICLE V

COVENANTS OF THE CITY

Section 5.1. Operation and Maintenance of the Enterprise. The City will maintain and preserve the Enterprise in good repair and working order at all times and will operate the Enterprise in an efficient and economical manner and will pay all Maintenance and Operation Costs of the Enterprise as they become due and payable.

Section 5.2. Against Sale or Other Disposition of Property. The City will not sell, lease, or otherwise dispose of the Enterprise or any part thereof essential to the proper operation of the Enterprise or to the maintenance of the Revenues. The City will not enter into any agreement or lease that impairs the operation of the Enterprise or any part thereof necessary to secure adequate Revenues for the payment of the 2020 Obligations or that would otherwise impair the rights of the City with respect to the Revenues or the operation of the Enterprise. Any real or personal property that has become nonoperative or that is not needed for the efficient and proper operation of the Enterprise, or any material or equipment that has become worn out, may be sold at not less than the Fair Market Value thereof. The City shall deposit the proceeds of such sale in the Revenue Fund. Nothing herein shall restrict the ability of the City to sell any portion of the Enterprise if such portion is immediately repurchased by the City (or other entity required as part of a financing structure) and if such arrangement cannot by its terms result in the purchaser of such portion of the Enterprise exercising any remedy which would deprive the District of or otherwise interfere with its right to own and operate such portion of the Enterprise or interfere with its right to collect the Revenues therefrom.

Section 5.3. Rates, Fees, and Charges. (a) The City will, at all times while the 2020 Obligations remains outstanding, fix, prescribe and collect rates, fees and charges in connection with the Enterprise so as to yield Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts in the order set forth below:

- (1) All Maintenance and Operation Costs of the Enterprise;
- (2) All payments of Debt Service and all other payments (including payments under reimbursement agreements) with respect to all Parity Obligations as they become due and payable;
- (3) All amounts, if any, required to restore the balance in any reserve accounts established for Parity Obligations in accordance with the terms of such Parity Obligations Documents, without preference or priority; and
- (4) All payments required to meet any other obligations of the City that are charges, liens, encumbrances upon, or which are otherwise payable from the Revenues during such Fiscal Year.

(b) Furthermore, the City shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Enterprise during each Fiscal Year which are sufficient to yield estimated Net Revenues which are at least equal to one hundred twenty percent (120%) of the aggregate amount of Debt Service on all Parity Obligations payable from Net Revenues coming due and payable during such Fiscal Year. The City may make adjustments, from time to time, in its rates, fees and charges as it deems necessary, but shall not reduce its rates, fees and charges below those in effect unless the Net Revenues resulting from such reduced rates, fees and charges shall at all times be sufficient to meet the requirements set forth in this paragraph.

(c) If the City violates the covenants set forth in subsections (a) or (b) hereof, such violation shall not, in and of itself, be a default under this Agreement and shall not give rise to a declaration of an Event of Default so long as (i) Net Revenues (calculated without taking into account any amounts transferred into the Revenue Fund from the Rate Stabilization Fund pursuant to subsection (d) below), are at least equal to the Maximum Annual Debt Service, and (ii) within 120 days after the date such violation is discovered, the City either (x) transfers enough moneys from the Rate Stabilization Fund sufficient to yield estimated Net Revenues which are at least equal to one hundred twenty percent (120%) of the aggregate amount of Debt Service on all Parity Obligations payable from Net Revenues coming due and payable during such Fiscal Year in compliance with subsection (b) hereof, (y) hires an Independent Financial Consultant to review the revenues and expenses of the Enterprise, and abides by such consultant's recommendations to revise the schedule of rates, fees, expenses and charges, and to revise any Maintenance and Operation Costs insofar as practicable, and to take such other actions as are necessary so as to produce Net Revenues to cure such violation for future compliance, or (z) receives a written waiver from the Bank; *provided, however*, that, if the City does not, or cannot, transfer from the Rate Stabilization Fund the amount necessary to comply with subsection (b) hereof, or otherwise cure such violation within nine (9) months after the date such violation is discovered, an Event of Default shall be deemed to have occurred under Section 6.1(a)(2) hereof, unless the Bank provides otherwise in writing at its sole option.

(d) There is hereby created a separate fund to be known as the "Rate Stabilization Fund," to be held and maintained by the City. The Rate Stabilization Fund is not pledged to secure payment of the 2020 Obligation Payments. Amounts in the Rate Stabilization Fund shall be applied solely for the uses and purposes set forth in this subsection (d). The City shall have the right to

deposit into the Rate Stabilization Fund from time to time any amount of funds which are legally available therefor; provided that deposits for each Fiscal Year may be made until (but not after) one hundred twenty (120) days following the end of such Fiscal Year (unless otherwise agreed by the Bank).

For the purpose of computing the amount of Revenues for any Fiscal Year for purposes of the preceding subsection (a), or the amount of Net Revenues for any Fiscal Year for purposes of the preceding subsection (b), the City shall be permitted to transfer amounts on deposit in the Rate Stabilization Fund to the Revenue Fund, such transfers to be made until (but not after) one hundred twenty (120) days after the end of such Fiscal Year (unless otherwise agreed by the Bank). In addition, the City shall be permitted to withdraw amounts on deposit in the Rate Stabilization Fund for any other lawful purpose. The Rate Stabilization Fund is not pledged to secure payment of the 2020 Obligation Payments.

Section 5.4. Collection of Rates and Charges. The City will have in effect at all times rules and regulations requiring each consumer or customer utilizing the Enterprise facilities to pay the rates, fees and charges applicable to such use or benefit received. Except in connection with the receipt of federal or State funding, the City will not permit any part of the Enterprise or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State and any city, county, district, political subdivision, public corporation or agency of any thereof).

Section 5.5. Competitive Facilities. Except for any Enterprise facilities existing as of the date hereof, the City will not, to the extent permitted by law, acquire, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, authority, city, special district, or political subdivision or any person whomsoever to acquire, maintain or operate within the sphere of influence of the City any wastewater system competitive with the Enterprise; *provided, however*, that the City may, with the written consent of the Bank first had and obtained, assign all or a portion of the Enterprise (except any portion of the District's Wastewater System) to another entity upon delivery to the Bank of an opinion of counsel experienced in the field of law relating to municipal bonds that such assignment will not adversely affect the tax-exempt status of the interest with respect to the 2020 Obligations, and provided such entity assumes the obligations of the City hereunder.

Section 5.6. Insurance. (a) The City will procure and maintain insurance on the Enterprise with commercial insurers or through participation in a joint powers insurance authority, in such amounts, with such deductibles and against such risks (including accident to or destruction of the Enterprise) as are usually insurable in accordance with industry standards with respect to similar enterprises.

In the event of any damage to or destruction of the Enterprise caused by the perils covered by such insurance, the proceeds of such insurance shall be applied to the repair, reconstruction or replacement of the damaged or destroyed portion of the Enterprise. The City shall cause such repair, reconstruction or replacement to begin promptly after such damage or destruction shall occur and to continue and to be properly completed as expeditiously as possible, and shall pay out of the proceeds of such insurance all costs and expenses in connection with such repair, reconstruction or replacement so that the same shall be completed and the Enterprise shall be free

and clear of all liens and claims. If the proceeds received by reason of any such loss shall exceed the costs of such repair, reconstruction or replacement, the excess shall be applied to prepay the 2020 Obligations and any other Parity Obligations, on a pro rata basis, in the manner provided in Section 3.5 hereof and in the instruments authorizing such Parity Obligations.

Alternatively, if the proceeds of such insurance are sufficient to enable the City to retire all outstanding Parity Obligations and all other amounts due hereunder, the City may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Enterprise, and thereupon such proceeds shall be applied to the prepayment of such Parity Obligations and to the payment of all other amounts due hereunder, and as otherwise required by the documents pursuant to which other Parity Obligations were issued.

(b) The City will procure and maintain commercial general liability insurance covering claims against the City for bodily injury or death, or damage to property, occasioned by reason of the ownership or operation of the Enterprise, such insurance to afford protection in such amounts and against such risks as are usually covered in connection with similar enterprises.

(c) The City will procure and maintain workers' compensation insurance against liability for compensation under the Workers' Compensation Insurance and Safety Act of California, or any act hereafter enacted as an amendment or supplement or in lieu thereof; such insurance to cover all persons employed in connection with the Enterprise.

(d) All policies of insurance required to be maintained herein shall provide that the Bank shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

(e) In lieu of obtaining insurance coverage as required by this Section, such coverage may, with the prior written consent of the Bank, be maintained by the City in the form of self-insurance. The City shall certify to the Bank that (i) the City has segregated amounts in a special insurance reserve meeting the requirements of this Section; (ii) an Insurance Consultant certifies annually, on or before February 1 of each year in which self-insurance is maintained, in writing to the Bank that the City's general insurance reserves are actuarially sound and are adequate to provide the necessary coverage; and (iii) such reserves are held in a separate trust fund by an independent trustee. Any statements of self-insurance shall be delivered to the Bank. The City shall pay or cause to be paid when due the premiums for all insurance policies required hereby.

The City shall cause the Bank to be named as an additional insured with respect to the City's liability insurance, and as a loss payee with respect to any property damage insurance. The City shall not allow any insurance to expire without thirty (30) days prior written notice to the Bank.

Section 5.7. Eminent Domain. If all or any part of the Enterprise shall be taken by eminent domain proceedings, the resulting Net Proceeds thereof shall be applied as follows:

(a) If (1) the City delivers to the Bank a Certificate of the City showing (i) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the City by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the Enterprise proposed to be acquired by the City from any Net Proceeds, and

(iii) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements, and (2) on the basis of such certificate, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the City to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive); then the City shall promptly proceed with the acquisition of such additions, betterments, extensions or improvements substantially in accordance with such Certificate of the City and such Net Proceeds shall be applied for the payment of the costs of such acquisition, and any balance of such Net Proceeds not required by the City for such purpose shall be applied to prepay the Principal Components and the principal amount of any other Parity Obligations, on a pro rata basis, in the manner provided in Section 3.5 hereof and in the instruments authorizing such other Parity Obligations.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied to prepay the Principal Components of the 2020 Obligations and the principal amounts of any other Parity Obligations, on a pro rata basis, in the manner provided in Section 3.5 hereof and in the instruments authorizing such other Parity Obligations.

Section 5.8. Additional Information. The City agrees to furnish to the Bank, promptly, from time to time, such information regarding the operations, financial condition and property of the City and the Enterprise as the Bank may reasonably request.

Section 5.9. Compliance with Law and Contracts. The City will faithfully comply with, keep, observe, and perform all valid and lawful obligations or regulations now or hereafter imposed on its operation of the Enterprise by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board, or commission having jurisdiction or control.

Section 5.10. Punctual Payment. The City will punctually pay the principal and interest to become due in respect of the 2020 Obligations, in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not rescind this Agreement for any cause.

Section 5.11. Reserved.

Section 5.12. Protection of Security and Rights of the Bank. The City will preserve and protect the security of the 2020 Obligations and the rights of the Bank and will defend the Bank's rights against all claims and demands of all persons. From and after the Closing Date, the 2020 Obligations shall be incontestable by the City.

Section 5.13. Parity Obligations.

(a) So long as the 2020 Obligations are outstanding, the City shall not issue or incur any obligations payable from Revenues or Net Revenues senior or superior to the payment of Debt Service on the 2020 Obligations. The City may at any time issue Parity Obligations payable from Net Revenues on parity with Debt Service on the 2020 Obligations to provide financing or refinancing for the Enterprise in such principal amount as shall be determined by the City. The

City may issue or incur any such Parity Obligations subject to the following specific conditions, which are hereby made conditions precedent to the issuance and delivery of such Parity Obligations:

(1) No Event of Default shall have occurred and be continuing;

(2) The Net Revenues (calculated without taking into account any amounts transferred into the Revenue Fund from the Rate Stabilization Fund pursuant to Section 5.3(d) hereof), calculated in accordance with Generally Accepted Accounting Principles, either (i) as shown by the books of the City for the latest Fiscal Year, as verified by a certificate of an Authorized Representative of the City, or (ii) as shown by the books of the City for any more recent twelve (12) month period within the preceding eighteen (18) months selected by the City, as verified by a certificate or opinion of an Independent Certified Public Accountant employed by the City, plus in either case (at the option of the City) the Additional Revenues, shall be at least equal to one hundred twenty percent (120%) of the amount of Maximum Annual Debt Service on all outstanding Parity Obligations and the Parity Obligations to be issued; and

(3) At the City's sole discretion, there may be established from the proceeds of such Parity Obligations a reserve fund for the security of such Parity Obligations, in an amount equal to the lesser of (i) the maximum amount of debt service required to be paid by the City with respect to such Parity Obligations during any Fiscal Year and (ii) the maximum amount then permitted under the Code, in either event as certified in writing by the City.

The provisions of subsection (2) of this Section shall not apply to any Parity Obligations if, and to the extent that (i) all of the proceeds of such Parity Obligations (other than proceeds applied to pay costs of issuing such Parity Obligations and to make the reserve fund deposit required pursuant to subsection (3) of this Section) shall be deposited in an irrevocable escrow held in cash or invested in Federal Securities for the purpose of paying the principal of and interest and premium (if any) on such outstanding Parity Obligations, and (ii) at the time of the incurring of such Parity Obligations, the City certifies in writing that maximum annual debt service on such Parity Obligations will not exceed Maximum Annual Debt Service on the outstanding Parity Obligations being refunded, and (iii) the final maturity of such Parity Obligations is not later than the final maturity of the Parity Obligations being refunded.

(b) In order to maintain the parity relationship of debt service payments on all Parity Obligations permitted hereunder, the City covenants that all payments in the nature of principal and interest or reserve account replenishment with respect to any Parity Obligations, will be structured to occur semi-annually on March 1 and September 1, in each year as such payments are due with respect to the Debt Service payments, and reserve account replenishment with respect to any Parity Obligations will be structured to occur within one year, and to otherwise structure the terms of such Parity Obligations to ensure that they are in all respects payable on a parity with the Debt Service payments on the 2020 Obligations and all Parity Obligations, and not prior thereto.

(c) The City may at any time execute contracts or issue bonds or other indebtedness payable from Net Revenues or the Revenue Fund payable on a subordinated basis to the payment of the Debt Service payments on Parity Obligations.

Section 5.14. Against Encumbrances. The City hereby covenants and agrees that it shall not incur any obligations that are secured by a pledge and lien on the Net Revenues that is senior to the pledge and lien on the Net Revenues contained herein. The City will not make any pledge of or place any lien on the Net Revenues except as provided herein. The City may pledge Net Revenues to secure Parity Obligations issued in accordance with Section 5.13 hereof. The City may at any time, or from time to time, issue evidences of indebtedness for any lawful purpose that are payable from and secured by a pledge of and lien on Net Revenues that is subordinate in all respects to the pledge of and lien on the Net Revenues provided herein.

Section 5.15. Further Assurances. The City will adopt, make, execute and deliver any and all further resolutions, instruments, and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Bank of the rights and benefits provided to it herein.

Section 5.16. Financial Reports. Promptly upon receipt by the City and in no event later than two hundred seventy (270) days after the close of each Fiscal Year (unless otherwise agreed in writing by the Bank), the City will furnish, or cause to be furnished, to the Bank an audit report of an Independent Certified Public Accountant with respect to such Fiscal Year, covering the operations of the Enterprise for said Fiscal Year. Such audit report shall include statements of the status of each account pertaining to the Enterprise, showing the amount and source of all deposits therein, the amount and purpose of the withdrawals therefrom and the balance therein at the beginning and end of said Fiscal Year.

Each such audit, in addition to whatever matters may be considered proper by the Independent Certified Public Accountant to be included therein, shall include a statement as to whether or not the Net Revenues for such Fiscal Year were equal to at least 1.20 times the Debt Service for such Fiscal Year, calculated as provided in Section 5.3 hereof. In addition, the City shall deliver to the Bank, not later than August 15 of each year, commencing August 15, 2020, a copy of the City's adopted budget for the then current Fiscal Year. The City shall also deliver to the Bank a copy of any update to the City's budget adopted for a Fiscal Year with thirty (30) days of the adoption of such updated budget.

The City shall annually provide the Bank with a Certificate within 210 days of the end of each Fiscal Year certifying that the City has met the 1.20x rate coverage covenant for the prior Fiscal Year.

Section 5.17. Observance of Laws and Regulations. The City will well and truly keep, observe and perform or cause to be kept, observed and performed all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired and enjoyed by the City, including the City's right to exist and carry on business

as a California general law city, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 5.18. Private Activity Bond Limitation. The City shall assure that monies deposited pursuant to this Agreement are not so used as to cause this Agreement to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(d) of the Code.

Section 5.19. Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause this Agreement or the Interest Components of the 2020 Obligation Payments to be “federally guaranteed” within the meaning of section 149(b) of the Code.

Section 5.20. Maintenance of Tax Exemption. The City shall take all reasonable actions necessary to assure the exclusion of the Interest Components of the 2020 Obligation Payments from the gross income under the Code.

Section 5.21. Rebate Requirement. The City shall take any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government.

Section 5.22. No Arbitrage. The City shall not take any action with respect to the proceeds of the 2020 Obligations which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date this Agreement was entered into would have caused the 2020 Obligations to be an “arbitrage bond” within the meaning of Section 148 of the Code.

Section 5.23. Budget. The City hereby covenants to take such action as may be necessary to include all 2020 Obligation Payments and all other amounts due hereunder in its annual budget and to make the necessary annual appropriations for all such 2020 Obligation Payments and all other amount due hereunder.

Section 5.24. Notices. The City shall provide to the Bank:

(a) Immediate notice by telephone, promptly confirmed in writing, of any event, action or failure to take any action which constitutes an Event of Default under this Agreement, together with a detailed statement by an Authorized Representative of the steps being taken by the City to cure the effect of such Event of Default.

(b) Prompt written notice (i) of any action, suit or proceeding or any investigation, inquiry or similar proceeding by or before any court or other governmental authority, domestic or foreign, against the City or the Enterprise or the Revenues which involve claims equal to or in excess of \$500,000 or that seeks injunctive relief, or (ii) of any loss or destruction of or damage to any portion of the Enterprise in excess of \$500,000.

(c) Prompt written notice of any Material Litigation, or any investigation, inquiry or similar proceeding by any Governmental Authority with respect to any matter that relates to or could impact any Revenues.

(d) Prompt written notice of any Event of Taxability.

(e) Promptly upon notice thereof, any termination or cancellation of any insurance policy which the City is required to maintain, or any uninsured or partially uninsured loss through liability or property damage, or through fire, theft or any other cause affecting the City property in excess of an aggregate of \$500,000.

(f) With reasonable promptness, such other information respecting the City, Enterprise, and the operations, affairs and financial condition of the City as the Bank may from time to time reasonably request.

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

Section 6.1. Events of Default and Remedies.

(a) Events of Default. The following shall be Events of Default hereunder:

(1) Failure by the City to pay any Principal Component or Interest Component on the 2020 Obligations within 10 days of due date.

(2) Failure by the City to observe and perform any covenant, condition or agreement on its part contained herein pertaining to the Enterprise, other than in clause (1) of this subsection, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Bank; *provided, however,* if in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such thirty (30) day period, the Bank shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within such thirty (30) day period and diligently pursued until the default is corrected.

(3) Default by the City under any Parity Obligation (or Subordinate Debt which requires or permits the immediate acceleration thereof).

(4) Institution of any proceeding under the United States Bankruptcy Code or any federal or state bankruptcy, insolvency, or similar law or any law providing for the appointment of a receiver, liquidator, trustee, or similar official of the City or of all or substantially all of its assets, by or with the consent of the City, or institution of any such proceeding without its consent that is not permanently stayed or dismissed within sixty (60) days, or agreement by the City with the City's creditors to effect a composition or extension of time to pay the City's debts, or request by the City for a reorganization or to effect a plan of reorganization, or for a readjustment of the City's debts, or a general or any assignment by the City for the benefit of the City's creditors.

(5) Any statement, representation or warranty made by the City in or pursuant to this Agreement or its execution, delivery or performance proves to have been false, incorrect, misleading, or breached in any material respect on the date made, and is

continuing for a period of thirty (30) days after written notice specifying such misrepresentation or breach and requesting that it be remedied has been given to the City by the Bank; *provided, however*, that the Bank and the City may agree that action by the City to cure such failure may be extended beyond such thirty-day period.

(6) This Agreement or any material provision of this Agreement shall at any time for any reason cease to be the legal, valid and binding obligation of the City or shall cease to be in full force and effect, or shall be declared to be unenforceable, invalid or void, or the validity or enforceability thereof shall be contested by the City, or the City shall renounce the same or deny that it has any further liability hereunder.

(7) Dissolution, termination of existence or insolvency of the City.

(8) Any court of competent jurisdiction with jurisdiction to rule on the validity of any provision of this Agreement shall find or rule that this Agreement is not valid or not binding on the City.

(b) Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Bank shall have the right, at its option upon notice to the City, to declare the unpaid aggregate Principal Components of the 2020 Obligations, and the interest accrued thereon, to be immediately due and payable, whereupon the same shall immediately become due and payable.

The Bank shall also have the right, at its option upon notice to the City, to (i) apply to and obtain from any court of competent jurisdiction such decree or order as may be necessary to require officials of the City to charge and collect rates for services provided by the City and the Enterprise sufficient to meet all requirements of this Agreement, and (ii) take whatever action at law or in equity as may appear necessary or desirable to collect the 2020 Obligation Payments then due or thereafter to become due during the Term of this Agreement, or enforce performance and observance of any obligation, agreement or covenant of the City under this Agreement, subject to the following paragraph.

Notwithstanding any provision of this Agreement, the City's liability to pay the 2020 Obligation Payments and other amounts hereunder shall be limited solely to Net Revenues as provided in Article IV hereof. In the event that Net Revenues shall be insufficient at any time to pay a Principal Component and/or Interest Component in full, the City shall not be liable to pay or prepay such delinquent 2020 Obligation Payment other than from Net Revenues.

Section 6.2. Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in Section 6.1, all Net Revenues thereafter received by the City shall be applied in the following order:

First, to the payment of the fees, costs and expenses necessary to protect the interests of the Bank and the holders of Parity Obligations, including the fees, costs and expenses of the Bank and any trustee, paying agent or holder of Parity Obligations in connection with such declaration, including reasonable compensation to their respective accountants and counsel; and

Second, to the payment of the Maintenance and Operation Costs; and

Third, to the payment of the entire unpaid aggregate Principal Components of the 2020 Obligations and the accrued interest thereon and any unpaid Parity Obligations, with interest on the overdue payments at the rate or rates of interest applicable to the 2020 Obligations and any such Parity Obligations if paid in accordance with their respective terms, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority, according to the amounts due respectively, to the Persons entitled thereto without any discrimination or preference.

Section 6.3. Other Remedies of the Bank. The Bank shall have the right:

- (a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City;
- (b) by suit in equity to enjoin any acts or things that are unlawful or violate the rights of the Bank; or
- (c) by suit in equity upon the happening of an Event of Default to require the City and its City Council, officers and employees to account as the trustee of an express trust.

Section 6.4. Non-Waiver. Nothing in this article or in any other provision hereof, or in the 2020 Obligations, shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the principal of and interest on the 2020 Obligations to the Bank when due, as herein provided, out of the Net Revenues herein pledged for such payment, or shall affect or impair the right of the Bank, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in this Agreement.

A waiver of any default or breach of duty or contract by the Bank shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Bank to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Bank by law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Bank.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Bank, the City and the Bank shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 6.5. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Bank is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

Section 6.6. Prosecution and Defense of Suits. The City shall promptly, upon request of the Bank or its assignee, from time to time take or cause to be taken such action as may be

necessary or proper to remedy or cure any defect in or cloud upon the title to the Enterprise whether now existing or hereafter arising and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose.

ARTICLE VII

NOTICES

Section 7.1. Notices. All written notices under this Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice is effective either (a) upon transmission by facsimile transmission, (b) upon actual receipt after deposit in the United States mail, postage prepaid, or (c) in any other case, upon actual receipt. The City or the Bank may, by written notice to the other parties, from time to time modify the address or number to which communications are given hereunder.

If to the City: City of Ukiah
 2300 Seminary Avenue
 Ukiah, CA 95482
 Attention: City Manager

If to the Bank: BBVA USA, an Alabama banking corporation
 2850 East Camelback Road, Suite 300
 Phoenix, Arizona 85016
 Attn: Henning Mathew

ARTICLE VIII

AMENDMENTS; DISCHARGE; GENERAL AUTHORIZATION; EFFECTIVE DATE

Section 8.1. Amendments Permitted. (a) This Agreement and the rights and obligations of the City and of the Bank may be modified or amended at any time by a written supplemental agreement entered into by the City and the Bank.

(b) From and after the time any supplemental agreement becomes effective pursuant to this Article, this Agreement shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties, and obligations under this Agreement and the Bank shall thereafter be determined, exercised, and enforced hereunder subject in all respects to such modification and amendments, and all the terms and conditions of any such supplemental agreement shall be deemed to be part of the terms and conditions of this Agreement for any and all purposes.

Section 8.2. Discharge of Agreement. (a) If the City shall pay or cause to be paid or there shall otherwise be paid to the Bank the principal of and the interest and the prepayment

premium, if any, on this Agreement at the times and in the manner stipulated herein, then all agreements, covenants and other obligations of the City to the Bank hereunder shall thereupon cease, terminate and become void and be discharged and satisfied.

(b) This Agreement shall be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this section if (1) in case this Agreement is to be prepaid on any date prior to its final Principal Payment Date, the City shall have mailed a notice of prepayment to the Bank, (2) there shall have been deposited with the Bank, or an escrow agent reasonably acceptable to the Bank, either money in an amount that shall be sufficient or direct obligations of the United States of America that are not subject to redemption except by the holder thereof prior to maturity (including any such securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), the interest on and principal of which when paid will provide money that, together with the money, if any, deposited with the Bank or such escrow agent at the same time, shall be sufficient (in the opinion of an Independent Certified Public Accountant) to pay when due the interest to become due on this Agreement on and prior to the final Principal Payment Date or prepayment date thereof, as the case may be, and the principal of and prepayment premiums, if any, on this Agreement on and prior to the final Principal Payment Date or the prepayment date thereof, as the case may be, and (3) if this Agreement is not subject to prepayment within the next succeeding sixty (60) days, the City shall have mailed a notice to the Bank that the deposit required by clause (2) above has been made with the Bank or such escrow agent and that this Agreement is deemed to have been paid in accordance with this section and stating the principal payment dates or prepayment date, as the case may be, upon which money is to be available for the payment of the principal of and prepayment premiums, if any, on this Agreement; *provided, however*, that the City shall have provided an opinion of Bond Counsel that such deposit will not adversely affect the exclusion of interest on the 2020 Obligations from gross income of the Bank for federal income tax purposes.

Section 8.3. General Authorization. The Authorized Representatives of the City, and each of them individually, are hereby authorized and directed, for and in the name of and on behalf of the City, to execute and deliver any and all documents (including specifically this Agreement, the Note, the Refunding Instructions and the City-District 2020 Refinancing Agreement), to do any and all things and take any and all actions that may be necessary or advisable, in their discretion, in order to consummate the financing and to effect the purposes of this Agreement, the Refunding Instructions and the City-District 2020 Refinancing Agreement. All actions heretofore taken by officers, employees, and agents of the City that are in conformity with the purposes and intent of this Agreement are hereby approved, confirmed, and ratified.

Section 8.4. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Bank and the City and their respective successors and assigns.

Section 8.5. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 8.6. Further Assurances and Corrective Instruments. The Bank and the City agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may

reasonably be required for carrying out the expressed intention of this Agreement.

Section 8.7. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 8.8. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Agreement.

Section 8.9. Expenses. The fees and disbursements of Bond Counsel, the fees and disbursements of the financial advisor and placement agent to the City, the cost of preparing the documentation, CDIAC fees, fees of Bank's Counsel and other miscellaneous expenses of the City incurred in connection with the 2020 Obligations shall all be the obligation of the City. The Bank shall have no responsibility for any expenses associated with the issuance of the 2020 Obligations, including, but not limited to, the expenses identified above as the obligation of the City.

Section 8.10. Judicial Reference.

(a) The Bank and the City hereby agree: (i) each proceeding or hearing based upon or arising out of, directly or indirectly, this Agreement or any document related thereto, any dealings between the City and the Bank related to the subject matter of this Agreement or any related transactions, and/or the relationship that is being established between the City and the Bank (hereinafter, a "Claim") shall be determined by a consensual general judicial reference (the "Reference") pursuant to the provisions of Section 638 et seq. of the California Code of Civil Procedure, as such statutes may be amended or modified from time to time; (ii) upon a written request, or upon an appropriate motion by either the Bank or the City, as applicable, any pending action relating to any Claim and every Claim shall be heard by a single Referee (as defined below) who shall then try all issues (including any and all questions of law and questions of fact relating thereto), and issue findings of fact and conclusions of law and report a statement of decision. The Referee's statement of decision will constitute the conclusive determination of the Claim. The Bank and the City agree that the Referee shall have the power to issue all legal and equitable relief appropriate under the circumstances before the Referee; (iii) the Bank and the City shall promptly and diligently cooperate with one another, as applicable, and the Referee, and shall perform such acts as may be necessary to obtain prompt and expeditious resolution of all Claims in accordance with the terms of this Section 8.10; (iv) either the Bank or the City, as applicable, may file the Referee's findings, conclusions and statement with the clerk or judge of any appropriate court, file a motion to confirm the Referee's report and have judgment entered thereon. If the report is deemed incomplete by such court, the Referee may be required to complete the report and resubmit it; (v) the City and the City, as applicable, will each have such rights to assert such objections as are set forth in Section 638 et seq. of the California Code of Civil Procedure; and (vi) all proceedings shall be closed to the public and confidential, and all records relating to the Reference shall be permanently sealed when the order thereon becomes final.

(b) The parties to the Reference proceeding shall select a single neutral referee (the "Referee"), who shall be a retired judge or justice of the courts of the State of California, or a federal court judge, in each case, with at least ten (10) years of judicial experience in civil matters. The Referee shall be appointed in accordance with Section 638 of the California Code of Civil

Procedure (or pursuant to comparable provisions of federal law if the dispute falls within the exclusive jurisdiction of the federal courts). If within ten (10) days after the request or motion for the Reference, the parties to the Reference proceeding cannot agree upon a Referee, then any party to such proceeding may request or move that the Referee be appointed by the Presiding Judge of the Mendocino County Superior Court, or of the U.S. City Court for the Northern District of California. The Referee shall determine all issues relating to the applicability, interpretation, legality and enforceability of this Section 8.10.

(c) No provision of this Section 8.10 shall limit the right of either the Bank or the City, as the case may be, to (i) exercise such self-help remedies as might otherwise be available under applicable law, or (ii)) obtain or oppose provisional or ancillary remedies, including without limitation injunctive relief, writs of possession, the appointment of a receiver, and/or additional or supplementary remedies from a court of competent jurisdiction before, after, or during the pendency of any Reference. The exercise of, or opposition to, any such remedy does not waive the right of the Bank or the City to the Reference pursuant to this Section 8.10(c).

(d) Promptly following the selection of the Referee, the City shall advance the estimated fees and costs of the Referee. In the statement of decision issued by the Referee, the Referee shall award costs, including reasonable attorneys' fees, to the prevailing party, if any, and may order the Referee's fees to be paid or shared by the parties to such Reference proceeding in such manner as the Referee deems just.

Section 8.11. Agreement to Pay Attorneys' Fees and Expenses. The City will pay the Bank its reasonable attorney fees incurred subsequent to an Event of Default.

Section 8.12. Net-Net-Net Contract. This Agreement is a "net-net-net contract" and the City hereby agrees that the 2020 Obligation Payments are an absolute net return to the Bank, free and clear of any expenses, charges or set-offs whatsoever.

Section 8.13. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signature Page to Follow on Next Page]

IN WITNESS WHEREOF, the Bank has caused this Agreement to be executed in its corporate name by its duly authorized officer; and the City has caused this Agreement to be executed in its name by its City Manager, as of the date first above written.

BBVA USA, an Alabama banking corporation

By: _____

CITY OF UKIAH, CALIFORNIA

By: _____
Sage Sangiacomo, City Manager

Draft

EXHIBIT A**2020 OBLIGATION PAYMENT SCHEDULE**

Period Ending	Principal Component	Interest Component	Period Payment
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Totals

EXHIBIT B**§ _____
CITY OF UKIAH****SERIES 2020 WASTEWATER REVENUE REFUNDING OBLIGATIONS
(2020 WASTEWATER REFUNDING PROJECT)****FORM OF INVESTOR LETTER**

City of Ukiah
Ukiah, California

The Weist Law Firm
Los Gatos, California

This letter (this “Investor Letter”) is to provide you with certain representations and agreements with respect to the above-referenced \$ _____ aggregate principal amount of the City of Ukiah, Series 2020 Wastewater Revenue Refunding Obligations (2020 Wastewater Refunding Project) (the “Obligation”), as evidenced by a Promissory Note, dated February __, 2020 (the “Note,” and together with the Obligation, the “2020 Obligations”). The 2020 Obligations were approved by the City pursuant to Resolution No. _____ (the “Resolution”), adopted by the City Council of the City of Ukiah (the “City”) on February __, 2020, and was executed and delivered pursuant to a 2020 Financing Agreement, dated as of February 1, 2020, by and between BBVA USA, an Alabama banking corporation (the “Investor”) and the City (the “Agreement”). Capitalized terms not otherwise defined herein will have the meanings set forth in the Agreement.

We (the “Investor,” the “undersigned,” “us” or “we,” as applicable) hereby represent and warrant to you and agree with you as follows:

(i) the Investor is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it was incorporated or formed and has the full legal right, power and authority to sign this Investor Letter and make the investment represented by the 2020 Obligations;

(ii) the undersigned is a duly authorized, qualified, and acting officer of the Investor and is authorized to cause the Investor to make the representations and warranties contained herein on behalf of the Investor, and this Investor Letter has been duly authorized, executed, and delivered by the Investor;

(iii) the Investor has sufficient knowledge and experience in financial and business matters, including municipal and other tax-exempt obligations similar to the 2020 Obligations, to be able to evaluate the risks and merits of the obligation represented by the 2020 Obligations and is able to bear the economic risks of such obligation;

(iv) the Investor understands that the neither the 2020 Obligations nor the Agreement have been registered with any federal or state securities agency or commission; and further understands that the 2020 Obligations and the Agreement (a) are not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state; (b) will not be listed in any stock or other securities exchange; and (c) will not carry a rating from any rating service;

(v) as an investor, we have made our own credit inquiry and analysis with respect to the City, the City's Wastewater Enterprise (the "Enterprise"), the Operating Agreement, the City-District 2020 Refinancing Agreement and the 2020 Obligations, and the Investor acknowledges that it has either been supplied with or has been given access to information to which a reasonable investor would attach significance in making investment decisions, and the Investor has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the legal, physical and fiscal condition of the City and the Enterprise, as well as the insurance, security, Consent and Assumption and prepayment arrangements set forth in the Agreement, the Operating Agreement, the City-District 2020 Refinancing Agreement and the 2020 Obligations, so that, as a reasonable investor, the Investor has been able to make an informed decision to invest in the 2020 Obligations;

(vi) the Investor understands and acknowledges that no official statement, offering memorandum or any disclosure document has been prepared, nor is any contemplated to be prepared, and that there is no reserve fund required for the 2020 Obligations;

(vii) the Investor understands and acknowledges it is investing in the 2020 Obligations on a private placement basis, and it is not intended that the transaction be subject to the requirements of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, and therefore the City has not undertaken, other than as provided in the Agreement, to provide to or for the benefit of holders of the 2020 Obligations financial or operating data or any other information with respect to the City, the Enterprise or the 2020 Obligations on an ongoing basis, other than as specifically set forth in the Agreement;

(viii) the Investor has made its own inquiry and analysis with respect to the 2020 Obligations and the security therefore, and other material factors affecting the security and payment of the 2020 Obligations;

(ix) the Investor is either:

(a) an "accredited investor" as such term is defined in Section 2(15) of the Securities Act of 1933, as amended (the "Securities Act"); or

(b) a "qualified institutional buyer" as such term is defined in Rule 144A promulgated under the Securities Act;

(x) the Investor is purchasing the 2020 Obligations for its own account and not with present view toward resale or distribution, and we have not offered, offered to sell, offered for sale or sold any of the 2020 Obligations by means of any form of general solicitation or general advertising, and we are not an underwriter of the 2020 Obligations within the meaning of Section 2(11) of the Securities Act; *provided, however*, that the Investor reserves the right to sell, transfer, assign or redistribute the 2020 Obligations without the consent of the City in accordance with the Agreement and all applicable securities laws, but agrees that any such sale, transfer or redistribution by the Investor shall be:

(a) to any subsidiary of the Investor, any affiliate of the Investor, any entity arising out of any merger or consolidation of the Investor, or a trustee in bankruptcy of the Investor, as certified to the City by an officer of such transferee, but only to the extent allowable under the Securities Act;

- (b) to any “accredited investor” (within the meaning of Section 2(15) of the 1933 Securities Act) or any “qualified institutional buyer” (within the meaning of Rule 144A promulgated under the Securities Act);
- (c) to any bank, savings institution or insurance company (whether acting in a trustee or custodial capacity for any “accredited investor” as defined in clause (x), above, “qualified institutional buyer” as defined in clause (x), above, or on its own behalf as a “qualified institutional buyer” as defined in clause (x), above or an “accredited investor” as defined in clause (x), above), as certified to the City by an officer of such transferee; or
- (d) to any trust or custodial arrangement each of the beneficial owners of which is required to be an “accredited investor” or “qualified institutional buyer” (as defined in clause (x), above);
- (xi) the Investor recognizes that the investment in the 2020 Obligations involves significant risks, there is no established market for the 2020 Obligations and that none is likely to develop and, accordingly, the Investor is able and willing to bear the economic risk of the 2020 Obligations for an indefinite period of time;
- (xii) the Investor further acknowledges that it is responsible for consulting with its advisors concerning any obligations, including, but not limited to, any obligations pursuant to federal and state securities and income tax laws it may have with respect to subsequent assignments or assignees of the 2020 Obligations if and when any such future disposition of the 2020 Obligations may occur;
- (xiii) No person has made any direct or indirect representation or warranty of any kind to us with respect to the economic return which may accrue to us. We have consulted with our own tax counsel and other advisors with respect to an investment in the 2020 Obligations;
- (xiv) the Investor acknowledges that (i) The Weist Law Firm (“Bond Counsel”) is acting as bond counsel to the City, that Bond Counsel has no attorney-client relationship with the Investor, and that the Investor has sought legal advice from its own counsel to the extent it concluded legal advice was necessary, and (ii) that NHA Advisors (“Municipal Advisor”) is acting as municipal advisor to the City, and that Municipal Advisor owes no fiduciary duty to the Investor and further that the Investor has not sought or relied upon financial advice from Municipal Advisor relating to its decision to purchase the 2020 Obligations; and
- (xv) The Investor is not relying upon the City, Bond Counsel, Municipal Advisor or any of their affiliates or employees for advice as to the merits and risks pertaining to the 2020 Obligations. The Investor has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision.

IN WITNESS WHEREOF, the undersigned has executed this Investor Letter as of the ____th day of _____, 20__.

EXHIBIT C**FORM OF PROMISSORY NOTE****No. R-1****\$_____ .00****\$_____****CITY OF UKIAH****SERIES 2020 WASTEWATER REVENUE REFUNDING OBLIGATIONS
(2020 WASTEWATER REFUNDING PROJECT)****PROMISSORY NOTE****INTEREST RATE:** **_. ____ %****CLOSING DATE:** **February __, 2020****MATURITY DATE:** **March 1, 203__****REGISTERED OWNER:** **BBVA USA, an Alabama banking corporation****PRINCIPAL AMOUNT:** **_____ MILLION _____ HUNDRED _____ THOUSAND DOLLARS**

This Promissory Note (the "Note") evidences the obligations (the "2020 Obligations") of the City of Ukiah (the "City") under the 2020 Financing Agreement dated as of February 1, 2020 (the "Agreement"), by and between the City and BBVA USA, an Alabama banking corporation (the "Bank"), which is being executed and delivered by the City. The City for value received, hereby promises to pay to the registered owner named above, or registered assigns (the "Owner"), on the Maturity Date set forth above, unless prepaid prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from the Closing Date set forth above, or from the most recent 2020 Obligation Payment Date (as hereinafter defined) to which interest has been paid or duly provided for. Interest on the unpaid principal balance of this Note shall be payable semiannually on each March 1 and September 1, commencing September 1, 2020 (each, a "2020 Obligation Payment Date"), at the interest rate set forth above (unless payable at the Default Rate or Taxable Rate, as defined and set forth in the Agreement), until the principal amount hereof is paid in full or made provision for such payment has been made.

The City is authorized to enter into the Agreement and to issue this Note in the aggregate principal amount of \$_____ pursuant to Resolution No. _____ (the "Resolution"), adopted by the City Council of the City on January __, 2020, and Section 53570 *et seq.* of the California Government Code (the "Bond Law").

Reference is made to the Agreement for the complete provisions thereof, and by acceptance hereof the registered owner of this Note assents to said terms and conditions as if fully set forth herein. The Agreement is authorized under, and this Note is issued under, and both are to be construed in accordance with, the Bond Law and other laws of the State of California.

Pursuant to the Bond Law, the Resolution and the Agreement, the principal of and interest on this Note are payable from Net Revenues (as defined in the Agreement), and funds held under the Agreement. The City has agreed in the Agreement to collect Net Revenues sufficient to pay the payments on the 2020 Obligation and this Note when due.

This Note is subject to optional prepayment as set forth in the Agreement. This Note is also subject to extraordinary prepayment in accordance with the Agreement.

This Note shall be registered in the name of the Registered Owner hereof, as to both principal and interest. Each registration and transfer of registration of this Note shall be entered by the City in books kept by it for this purpose and authenticated by its manual signature upon the certificate of authentication endorsed hereon.

The Agreement and the rights and obligations of the City thereunder may be modified or amended as set forth therein. The principal of this Note is subject to acceleration upon a default as prescribed in the Agreement.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED by the City that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Note have existed, happened and been performed in due time, form and manner as required by law, and that the amount of this Note, together with all other indebtedness of the City, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

IN WITNESS WHEREOF, the City has caused this Note to be dated the Closing Date shown first above, to be signed by the manual signature of its City Manager or Finance Director, and attested to by the manual signature of its City Clerk, and has caused this Note to be dated as of the dated date set forth above.

CITY OF UKIAH, CALIFORNIA

By: _____

ATTEST:

By: _____

EXHIBIT D**§ _____
CITY OF UKIAH****SERIES 2020 WASTEWATER REVENUE REFUNDING OBLIGATIONS
(2020 WASTEWATER REFUNDING PROJECT)****FORM OF REQUISITION
FOR DISBURSEMENT OF COSTS OF ISSUANCE**

The undersigned, as an Authorized Representative (as defined below) of the City of Ukiah (the “City”), in connection with the above-captioned \$ _____ aggregate principal amount of the City of Ukiah, Series 2020 Water Revenue Refunding Obligations (2020 Wastewater Refunding Project) (the “Obligation”), as evidenced by a Promissory Note, dated February __, 2020 (the “Note,” and together with the Obligation, the “2020 Obligations”). The 2020 Obligations were approved by the City pursuant to Resolution No. _____ (the “Resolution”), adopted by the City Council of the City on January __, 2020, and was executed and delivered pursuant to a 2020 Financing Agreement, dated as of February 1, 2020, by and between BBVA USA, an Alabama banking corporation (the “Bank”) and the City (the “Agreement”), does hereby certify on behalf of the City that:

(i) the undersigned is a duly Authorized Representative (as defined in the Agreement) with authority to act on behalf of the City as necessary in connection with execution and delivery of the 2020 Obligations, and as such, is authorized to disburse money for the payment of Costs of Issuance (the “Costs of Issuance”), which moneys have been set aside by Bank for the purpose of paying the Costs of Issuance provided for in Section 3.2 and 3.3 of the Agreement (the “Costs of Issuance Funds”);

(ii) an obligation in the not-to-exceed amount stated for each of the payees set forth on Exhibit A, attached hereto and by this reference incorporated herein, has been properly incurred under and pursuant to the Agreement, and each such obligation is a proper charge against the Costs of Issuance Funds, and has not been the basis of any previous disbursement;

(iii) that pursuant to the Agreement, the Bank is hereby instructed to pay to the parties listed on Exhibit A hereto the sum listed opposite such parties names as a payment for the items listed and the expenses incidental thereto from the Costs of Issuance Funds (but no more than the amount set forth opposite each such payee). These costs have been properly incurred, are each a proper charge under the Agreement and have not been the basis of any previous disbursements; and

(iv) all payments shall be made by check or wire transfer in accordance with payment instructions contained in Exhibit A attached hereto, or in the invoice submitted in accordance herewith, and the Bank may rely on such payment instructions as though given by the City with no duty to investigate or inquire as to the authenticity of the invoice or the payment instructions contained therein.

Dated: _____, 2020

CITY OF UKIAH, CALIFORNIA

By: _____

§ _____
CITY OF UKIAH
SERIES 2020 WASTEWATER REVENUE REFUNDING OBLIGATIONS
(2020 WASTEWATER REFUNDING PROJECT)

IRREVOCABLE DEPOSIT AND REFUNDING INSTRUCTIONS

These IRREVOCABLE DEPOSIT AND REFUNDING INSTRUCTIONS (these “Instructions”) are dated as of January 1, 2020, and are given by the CITY OF UKIAH, a public body and political subdivision, organized and existing under and by virtue of the laws of the State of California (the “City”), to WELLS FARGO BANK, NATIONAL ASSOCIATION, acting as trustee for the 2006 Bonds described below (the “2006 Trustee”);

BACKGROUND:

1. In order to provide funds for the acquisition and construction of certain public improvements within the City, the City previously worked with the Association of Bay Area Governments (the “Authority”) to provide for the issuance of \$75,060,000 original principal amount of Association of Bay Area Governments, 2006 Water and Wastewater Revenue Bonds, Series A (the “2006 Bonds”), pursuant to an Indenture of Trust dated as of March 1, 2006, by and between the City, Wells Fargo Bank, National Association, as trustee (the “2006 Trustee”) and the Authority (the “2006 Indenture”).

2. The 2006 Bonds are secured primarily by “Installment Payments” made pursuant to an Installment Sale Agreement dated as of March 1, 2006, by and between the City, the Authority and the Trustee (the “2006 ISA,” and together with the 2006 Indenture, the “2006 Bond Documents”).

3. Pursuant to the 2006 Indenture, the Authority assigned its rights to the Installment Payments to the 2006 Trustee, which the 2006 Trustee uses to pay commensurate debt service on the 2006 Bonds.

4. In order to provide revenue support to the City for the Installment Payments, the City and the Ukiah Valley Sanitation District (the “District”) entered into a Financing Agreement dated March 2, 2006 (the “2006 Financing Agreement”), whereby the District agreed to assume responsibility for an allocable share of the Installment Payments (the “District’s Allocable Share”).

5. The District is currently seeking an independent private placement financing, the proceeds of which the District intends to use to prepay the District’s Allocable Share (the “District’s 2020 Obligations”) in accordance with an agreement dated as of January 1, 2020 by and between the City and District (the “City-District 2020 Refinancing Agreement”).

6. The City has determined that it is in the public interests of the City to provide for the prepayment of all outstanding principal components of the Installment Payments (and accrued interest thereon) thereby causing the refunding of the outstanding principal balance of the 2006 Bonds (the “Refunding”), and to that end, in order to obtain funds necessary to implement such Refunding, the City has provided for the execution and delivery of its “City of Ukiah, Series 2020 Wastewater Revenue Refunding Obligations (2020 Wastewater Refunding Project),” in the aggregate principal amount of \$_____ (the “2020 Obligations”), all pursuant to and secured by a 2020 Financing Agreement (the “Financing

Agreement”), dated as of February 1, 2020, by and between the City and _____, a _____ (the “Bank”).

7. The 2006 Bonds are subject to optional prepayment in full on March 1, 2020 (the “Redemption Date”) upon the prepayment of all outstanding principal components of the Installment Payments and accrued interest thereon.

8. The City wishes to give these Instructions to the 2006 Trustee for the purpose of providing for the prepayment in full of the principal components of the Installment Payments together with the interest component of the Installment Payment required to be paid on or accrued to the Redemption Date.

9. Pursuant to the 2006 Indenture, the 2006 Trustee shall receive all amounts transferred and/or deposited by the City and/or the District in connection with these Instructions and shall immediately deposit all such funds into the redemption fund established pursuant to Section 4.03 of the 2006 Indenture (the “2006 Redemption Fund”), which shall represent an irrevocable security deposit for the prepayment and redemption of all remaining outstanding 2006 Bonds in accordance with the 2006 Bond Documents.

10. Amounts required to fund such deposit will be provided in part from funds on hand with the 2006 Trustee (including \$_____ in proceeds of the District’s 2020 Obligations received by the 2006 Trustee directly from the District), with the balance being transferred to the 2006 Trustee by the Bank from designated proceeds of the 2020 Obligations.

11. As a result of the irrevocable deposit of funds in accordance with these Instructions, the City’s obligations under the 2006 ISA and the pledge of Net Revenues (as defined in the 2006 ISA) and all other security provided by the 2006 ISA, will cease and terminate in accordance with the provisions of Article IX of the 2006 ISA, and the 2006 Bonds will correspondingly be discharged pursuant to Section 9.03 of the 2006 Indenture.

INSTRUCTIONS:

In order to provide for the prepayment in full of the principal components of the Installment Payments in accordance with Article VII of the 2006 ISA, and the corresponding optional prepayment and discharge of the 2006 Bonds in accordance with Sections 2.03(a) and 9.03 of the 2006 Indenture, the City hereby irrevocably directs the 2006 Trustee as follows:

Section 1. Irrevocable Deposit into the Redemption Fund.

The 2006 Trustee is hereby directed to receive all amounts transferred and/or deposited to or with the 2006 Trustee by the City and/or the District in connection with these Instructions and to immediately deposit all such funds into the Redemption Fund to be held by the 2006 Trustee as an irrevocable security deposit for the corresponding optional prepayment and discharge of the 2006 Bonds in accordance with Sections 2.03(a) and 9.03 of the 2006 Indenture. All cash and securities in the Redemption Fund are hereby irrevocably pledged for the payment of the principal and interest represented by the 2006 Bonds in accordance with the 2006 Bond Documents. If at any time the 2006 Trustee receives actual knowledge that the cash and securities in the Redemption Fund will not be sufficient to make any payment required by Section 2 in respect of the 2006 Bonds, the 2006 Trustee shall notify the City of such fact and the City shall immediately cure such deficiency from any source of legally available funds. The 2006 Trustee has no liability for any such insufficiency.

On or before January __, 2020 (the "Closing Date"), (i) the District shall cause to be transferred to the 2006 Trustee for deposit in the Redemption Fund, the amount of \$_____ to be derived from proceeds of the District's 2020 Obligations (the "District Contribution"), and (ii) the City shall cause to be transferred to the 2006 Trustee for deposit in the Redemption Fund, the amount of \$_____ to be derived from proceeds of the 2020 Obligations (the "City Contribution," and together with the District Contribution, the "Defeasance Proceeds").

Section 2. Application of the Redemption Fund.

The 2006 Trustee is hereby irrevocably instructed, to which instructions the 2006 Trustee agrees, to apply the amounts on deposit in the Redemption Fund to pay and redeem the 2006 Bonds through and including the Redemption Date, in accordance with the following schedule:

<u>Redemption Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Redemption Premium</u>	<u>Total Payment</u>
03/01/2020	\$ _____	\$ _____	\$0.00	\$ _____

Following the prepayment and redemption of the 2006 Bonds in full on the Redemption Date, the 2006 Trustee shall transfer any amounts remaining on deposit in the Redemption Fund to the City.

Section 3. Required Notices. The 2006 Trustee acknowledges that the prepayment of all outstanding principal components of the Installment Payments (and accrued interest thereon) will cause a corresponding prepayment and redemption of all outstanding 2006 (the "Called Bonds"). The 2006 Trustee hereby agrees that at least 30 days, but not more than 60 days, prior to the Redemption Date, it will provide the owners of the Called Bonds with notice of redemption, in the manner provided by, and meeting the requirements of the 2006 Bond Documents, a form sample of which is attached hereto as Exhibit A.

Section 4. Application of Certain Terms of 2006 Bond Documents. All of the terms of the 2006 Bond Documents relating to the payment and prepayment of principal and interest represented by the 2006 Bonds, as well as the protections, immunities and limitations from liability afforded the 2006 Trustee, are incorporated in these Instructions as if set forth in full herein. These Instructions set forth all matters pertinent to the escrow contemplated hereunder, and no additional obligations of the 2006 Trustee shall be inferred from the terms of these Instructions or any other agreement.

Section 5. Compensation to Trustee. The City shall pay the 2006 Trustee full compensation for its services under these Instructions, including out-of-pocket costs such as publication costs, prepayment expenses, legal fees and other costs and expenses relating hereto and, in addition, all fees, costs and expenses relating to the purchase, substitution or withdrawal of any securities after the date hereof.

Section 6. No Right of Set Off. Under no circumstances shall amounts deposited in or credited to the Redemption Fund be deemed to be available for any purpose other than as set forth herein. The 2006 Trustee has no lien upon or right of set off against the cash and securities at any time on deposit in the Redemption Fund.

Section 7. Applicable Law. These Instructions shall be governed by and construed in accordance with the laws of the State of California.

Section 8. Execution in Counterparts. These Instructions may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same document.

[Signature Page to Follow on Next Page]

DRAFT

IN WITNESS WHEREOF, the City and the 2006 Trustee have each caused these Instructions to be executed by their duly authorized officers all as of the date first above written.

CITY OF UKIAH, CALIFORNIA

By: _____
Daniel Buffalo, Finance Director

Attest:

By: _____

ACCEPTED AND AGREED:

**WELLS FARGO BANK,
NATIONAL ASSOCIATION,**
as 2006 Trustee

By: _____

EXHIBIT A**FORM OF CONDITIONAL NOTICE OF FULL OPTIONAL REDEMPTION
to the Holders of****ASSOCIATION OF BAY AREA GOVERNMENTS
2006 WATER AND WASTEWATER REVENUE BONDS
SERIES A**

CONDITIONAL NOTICE IS HEREBY GIVEN to the owners of the above-captioned bonds (the “2006 Bonds”) pursuant to the Indenture of Trust, dated as of March 1, 2006 (the “Indenture”), by and between the Association of Bay Area Governments (the “Authority”) and Wells Fargo Bank, National Association, as trustee (the “2006 Trustee”), that all outstanding 2006 Bonds in the aggregate principal amount of \$_____ have been called for redemption on March 1, 2020 (the “Redemption Date”). Redemption of the 2006 Bonds on the Redemption Date as described in this notice shall be conditioned upon the receipt by the 2006 Trustee of the funds sufficient for the proposed redemption on or before the Redemption Date. The 2006 Bonds to be called, which were originally issued on March 2, 2006, are as follows:

<i><u>Original CUSIP*</u></i>	<i><u>Maturity (March 1)</u></i>	<i><u>Principal Amount</u></i>	<i><u>Redemption Price</u></i>
-----------------------------------	--------------------------------------	------------------------------------	------------------------------------

The 2006 Bonds will be payable on the Redemption Date at a Redemption Price of 100% of the principal amount plus accrued interest with respect thereto to such date (the “Redemption Price”). The Redemption Price of the 2006 Bonds will become due and payable on the Redemption Date. From and after the Redemption Date, interest on the 2006 Bonds to be redeemed will cease to accrue, and such 2006 Bonds will be surrendered to the Trustee.

This Conditional Notice will be withdrawn if the 2006 Trustee does not receive funds sufficient to pay the Redemption Price on or before the Redemption Date. If this Conditional Notice is withdrawn, this Conditional Notice shall be null and void and of no force or effect, and any 2006 Bonds delivered for redemption shall be returned to the respective owners thereof, and the 2006 Bonds shall remain outstanding as though this Conditional Notice of Redemption had not been given. Notice of a failure to receive funds, and cancellation of this redemption, will be given by Wells Fargo Bank, National Association, as 2006 Trustee, to the registered owners of the 2006 Bonds.

To receive payment on the Redemption Date, owners of the 2006 Bonds should present and surrender said 2006 Bonds on the Redemption Date at the address of the Trustee set forth below:

Registered/Certified Mail:

Wells Fargo Bank, N.A.
Corporate Trust Operations
P.O. Box 1517
Minneapolis, MN 55480-1517

Air Courier:

Wells Fargo Bank, N.A.
600 Fourth Street, 7th Floor
Minneapolis, MN 55479
MAC N9300-070

If the Owner of any 2006 Bond fails to deliver such 2006 Bond to the Trustee on the Redemption Date, such 2006 Bond shall nevertheless be deemed redeemed on the Redemption Date and the Owner of such 2006 Bond shall have no rights in respect thereof except to receive payment of the Redemption Price from funds held by the Trustee for such payment.

A signed W-9 is required to accompany the 2006 Bonds or 28% of the 2006 Bond redemption proceeds will be withheld.

By: **WELLS FARGO BANK, NATIONAL ASSOCIATION,**
as 2006 Trustee

Dated this ___ day of _____, 2020.

** Note: The Authority and Trustee shall not be responsible for the selection or use of the CUSIP numbers selected, nor is any representation made as to their correctness indicated in the notice or as printed on any 2006 Bonds. They are included solely for the convenience of the holders.*

CITY – DISTRICT 2020 REFINANCING AGREEMENT

Dated as of January 1, 2020

By and Between

CITY OF UKIAH

And

UKIAH VALLEY SANITATION DISTRICT

Relating to the

\$ _____

CITY OF UKIAH

**SERIES 2020 WASTEWATER REVENUE REFUNDING OBLIGATIONS
(2020 WASTEWATER REFUNDING PROJECT)**

and the

\$ _____

**UKIAH VALLEY SANITATION DISTRICT
WASTEWATER REVENUE REFUNDING BONDS, SERIES 2020**

CITY – DISTRICT 2020 REFINANCING AGREEMENT

This CITY – DISTRICT 2020 REFINANCING AGREEMENT (this “Agreement”), dated for convenience as of January 1, 2020, is by and between the CITY OF UKIAH, a municipal corporation and general law city, duly organized and validly existing under the laws of the State of California (the “City”), and the UKIAH VALLEY SANITATION DISTRICT, a county sanitation district organized and existing under and by virtue of the laws of the State of California (the “District”);

WITNESSETH:

WHEREAS, the City owns a wastewater treatment plant (the “City WWTP”) and a system for the collection and disposal of wastewater within the City, including sewer mains, laterals and related facilities (collectively with the City WWTP, the “City Wastewater System”). The City provides wastewater collection, treatment, and effluent disposal services to customers within the City; and

WHEREAS, the District owns a system for the collection and transmission of wastewater within the District, including sewer mains, laterals, the Trunk Line and related facilities (collectively, the “District Wastewater System”), which wastewater is treated at the WWTP; and

WHEREAS, in order to finance certain capital improvements to, and to upgrade and rehabilitate, the WWTP, the City previously entered into an Installment Sale Agreement, dated as of March 1, 2006 (the “2006 Installment Sale Agreement”) with the Association of Bay Area Governments (the “Authority”), pursuant to which the City agreed to make certain installment payments (the “2006 Installment Payments”), and in connection therewith the Authority issued its \$75,060,000 original aggregate principal amount of 2006 Water and Wastewater Revenue Bonds, Series A (the “2006 Bonds”), pursuant to a Trust Agreement dated as of March 1, 2006 (the “2006 Trust Agreement,” and together with the 2006 Installment Sale Agreement, the “Prior Obligation Documents”), between the Authority and Wells Fargo Bank, National Association, as trustee (the “Prior Trustee”); and

WHEREAS, the City and the District entered into a Financing Agreement dated March 2, 2006 (the “2006 Financing Agreement”), whereby the District agreed to apportionment to it of an allocable share of the 2006 Installment Payments (the “District’s Allocable Share”); and

WHEREAS, the District is currently seeking private placement financing secured by and pursuant to an Indenture dated as of January 1, 2020 by and between U.S. Bank National Association, as trustee (the “Trustee”) and the District (the “Indenture”), the proceeds of which the District intends to use to fully prepay the District’s Allocable Share (the “District’s 2020 Obligations”); and

WHEREAS, the City has determined that it is in the interests of the City at this time to provide for the execution and delivery of its “City of Ukiah, Series 2020 Wastewater Revenue Refunding Obligations (2020 Wastewater Refunding Project)” (the “Obligation”) pursuant to a 2020 Financing Agreement by and between BBVA USA (the “Bank”) and the City (the “Financing

Agreement”), as evidenced by a Promissory Note, dated _____, 2020 (the “Note,” and together with the Financing Agreement and Obligation, the “City’s 2020 Obligations”) the proceeds of which will be combined with the proceeds of the District’s 2020 Obligations and used to prepay and defease all outstanding 2006 Bonds in accordance with certain Irrevocable Deposit and Refunding Instructions given by the City to the Prior Trustee, dated as of January 1, 2020 (the “Refunding Instructions”) in the form attached hereto and incorporated herein by reference as Exhibit A; and

WHEREAS, the City and the District have previously entered into an Operating Agreement dated October 3, 2018, as may be amended from time to time (the “Operating Agreement”), which sets forth, among other things, the responsibilities and the terms under which the City and the District provide wastewater collection and treatment services to their respective ratepayers and residents; and

WHEREAS, the 2006 Bonds were issued to finance (i) a project designed to expand the capacity of the City WWTP (the “Capacity Project”) by 2,400 ESSU’s (as defined in the Operating Agreement), and (ii) a project designed to upgrade and rehabilitate the City WWTP (the “Rehab Project”); and

WHEREAS, as set forth in Section II.D.2 of the Operating Agreement, 25.8414% of the debt service on the 2006 Bonds is apportioned to the Capacity Project (the “25.84% Capacity Component”) and 74.1586% of the debt service on the 2006 Bonds is apportioned to the Rehab Project (the “74.16% Rehabilitation Component”); and

WHEREAS, as set forth in Section II.D.2 of the Operating Agreement, in exchange for reserving for District use 65% of the 2,400 ESSUs created by the Capacity Project and 35% for the City’s use, the District’s and City’s respective obligations to pay the 25.84% Capacity Component is shared as follows: 65% to the District (the “District’s Share of Capacity Component”) and 35% to the City (the “City’s Share of Capacity Component”), subject to adjustment as provided in the Operating Agreement; and

WHEREAS, as set forth in Section II.D.2 of the Operating Agreement, the District’s and City’s respective obligation to pay the 74.16% Rehabilitation Component is allocated between the City and District on the basis of the method set forth in the Operating Agreement, to be adjusted annually as provided in the Operating Agreement, commencing July 1, 2019, or as soon thereafter as any disputes over the Allocation Methodology are resolved by agreement or Fast Track arbitration, as of July 1 of each year thereafter (the “Allocation Methodology”); and

WHEREAS, as part of this Agreement, the City and the District have agreed to an Allocation Methodology to be used commencing March 1, 2020; and

WHEREAS, based on the proposed implementation of the Allocation Methodology by Hildebrand Consulting (“Hildebrand Implementation”) jointly hired by the City and the District on January 16, 2019, to conduct a Joint Rate Study for the City and the District, the City and District agree that the District will assume 54% of the outstanding principal amount of the 2006 Bonds as part of the District’s 2020 Obligations, and the City will assume 46% of the outstanding

principal amount of the 2006 Bonds as part of the City's 2020 Obligations; and

WHEREAS, there has been a dispute between the City and the District concerning the characterization of a Connection as one that is a District or City connection, including the Mendocino County Jail (the "Jail"), and, in order to resolve potential litigation, the City and District agree to resolve the dispute as provided in Section 7; and

WHEREAS, the City and the District have each authorized the execution, delivery and performance of this Agreement; and

NOW, THEREFORE, THIS AGREEMENT WITNESSETH, in consideration of the premises and of the mutual covenants herein contained and the Recitals above, which are incorporated into the terms hereof by reference, and for other valuable considerations, the receipt whereof is hereby acknowledged, the City and District do hereby covenant and agree, as follows:

Section 1. Definitions. Unless otherwise specified or defined herein, capitalized terms used in this Agreement and not otherwise defined herein shall have the same meaning given to those terms in the Operating Agreement.

Section 2. Agreed Upon Allocable Shares. The City and the District hereby agree that the District will assume 54% of the outstanding principal amount of the 2006 Bonds as part of the District's 2020 Obligations, and the City will assume 46% of the outstanding principal amount of the 2006 Bonds as part of the City's 2020 Obligations (the total outstanding principal amount of the 2006 Bonds, a portion of which each party is assuming as described above, is collectively referred to herein as the "Total 2020 Obligations"); and

Section 3. Agreement to Transfer Proceeds to 2006 Trustee. The City and the District hereby agree that (i) the 46% of the outstanding principal amount of the 2006 Bonds the City will assume as part of the City's 2020 Obligations equates to \$_____, which the City agrees to transfer to the 2006 Trustee in accordance with the Refunding Instructions, and (ii) the 54% of the outstanding principal amount of the 2006 Bonds the District will assume as part of the District's 2020 Obligations equates to \$_____, which the District agrees to transfer to the 2006 Trustee on or prior to January __, 2020 for irrevocable deposit into the Redemption Fund in accordance with the Refunding Instructions.

a. Payment of March 1, 2020, Installment. The City shall pay from District revenues on hand with the City 52% of the March 1, 2020, installment payment due on the 2006 Bonds.

Section 4. No Transfer of District Accounts to District WWTP. The District hereby agrees that it shall not transfer customers from the City's WWTP to a District WWTP, or the fees paid by those customers for sewer service from the revenue used to pay the District's share of expenses for the City's WWTP under the Operating Agreement, until such time as both the City and the District have fully repaid and defeased their respective Total 2020 Obligations, but not later than March 1, 2035.

Section 5. Allocation of Revenue, Expenses and Debt Service Upon Detachment.

In the event all or any portion of the District is “detached” from the City (the “Detached Area”) pursuant to LAFCO proceedings, effective when the detachment becomes effective: (1) Customers and Connections in the Detached Area, including the revenue from them, shall be transferred to the City and become City customer accounts (the “Transferred Accounts”); (2) the allocation of Combined CITY/DISTRICT Sewer System costs shared by the City and the District attributable to the Transferred Accounts shall be paid by the City in accordance with the Operating Agreement; and (3) the portion of the District’s 2020 Obligations attributable to the Transferred Accounts shall be transferred from the District to and assumed by the City in accordance with the Operating Agreement.

Section 6. True Up Process. Without affecting either the District’s 2020 Obligations or the City’s 2020 Obligations, the parties hereby agree that their respective obligations for the Total 2020 Obligations shall remain fixed at 52% District and 48% as provided in Section II.D.2(b)(1) of the Operating Agreement through February 29, 2020. The District shall make its payments under the District’s 2020 Obligations and the City shall make its payments under the City’s 2020 Obligations. Commencing on March 1, 2020, the actual allocation of the Total 2020 Obligations shall be modified to 54% District and 46% City and thereafter remain subject to adjustment effective each fiscal year (commencing July 1, 2020), calculated and paid in accordance with the Operating Agreement as part of the true-up process (the “True-Up Process”) otherwise required by the Operating Agreement. True-Up Payments for this debt shall be computed and paid annually based on (1) the actual allocation of payment obligations on the Total 2020 Obligations, calculated in accordance with the Operating Agreement and (2) the difference, if any, between the interest rate on the District’s 2020 Obligations and the City’s 2020 Obligations. True-Up Payments shall otherwise be made in accordance with the Operating Agreement with an example of how this would be calculated shown in Exhibit B.

Section 7. Development of Rules for Designating Accounts as City or District Accounts.

(a) Developing Rules. No later than April 30, 2020, the District Board of Directors and the City Council shall meet in joint session to discuss the definitions of such terms as “point of connection,” “sewer main,” “sewer lateral,” and “sewer service connection” and to identify other criteria for determining when a customer receiving sewer service within the City and the District is a District or City customer. The governing bodies may determine any further procedures and timelines for completing this process, including the formation of ad hoc committees or directing the submission of reports by City or District staff or consultants to one or more further joint sessions of the District Board and City Council.

(b) Dispute Resolution.

(1) Matters subject to dispute resolution. If within 120 days from their first joint meeting the City Council and the District Board have not agreed on the rules for determining whether an account/customer is a District or City account/customer, either party may initiate binding dispute resolution as set forth below. If rules are adopted by the City Council and the District Board but the City and the District do not agree on how the rules apply to a particular

account/customer, within 30 days after either party gives written notice that it claims the account/customer based on the adopted rules, the dispute shall be resolved exclusively by binding dispute resolution as provided below. If any agreements reached by the District Board and City Council or a decision of the Hearing Officer under subsection (b)(2) below warrant treating any account/customer as an account/customer of the other party, that account/customer shall be transferred accordingly and any connection fees, revenues and expenses associated with that account/customer shall be treated thereafter as revenue and expenses of the party to whom the account(s)/customer(s) are transferred as otherwise provided in the Operating Agreement. Additionally, any connection fee, whether resulting from a new connection or one from a change in use, etc., associated with an existing connection, accruing on or paid by said account(s)/customer(s) during the time from the date of this Agreement through the date of any agreement by the governing bodies or decision of the Hearing Officer, shall be transferred to the party to whom the account(s)/customer(s) is transferred, unless the District Board and City Council agree otherwise. Accordingly, the District withdraws its claim for damages filed with the City on October 16, 2019, but said withdrawal shall not be deemed a waiver of any further claim that the Mendocino County Sheriff's Office rehabilitation and jail facility(ies) located on Low Gap Road in Ukiah, California ("Jail Accounts"), is a District account/customer, if brought in accordance with the provisions in this section, including the provision transferring revenue and expenses associated with that account only for the period of time after the account has been transferred. In consideration of that waiver, in the event a further claim is brought by the District pursuant to this section: the District shall not be required to, and City waives any requirement that the District, file a government or other formal claim concerning the Jail Accounts, as the matter shall proceed as provided herein; and, the City waives any defense in that proceeding that the District's claim is subject to any timing based defense, including the statute of limitations.

(2) Dispute resolution procedure. Unresolved disputes under subsection (b)(1) above shall be resolved using the following procedures which are similar to those used in law and motion matters without the opportunity for discovery, including depositions. Notwithstanding that, the parties shall promptly comply with informal information requests made by the other party. This process shall be deemed to have commenced on the date that the governing body of either party gives written notice to the other party that it requests dispute resolution. A mutually agreed upon attorney or sitting or retired judge in Mendocino or Sonoma Counties ("Hearing Officer") shall hear and decide the dispute. If the parties have failed to agree on the selection of the Hearing Officer within 15 days of initiating these procedures, they shall each designate one candidate. The designees shall then select, among themselves, the Hearing Officer who shall hear and decide the matter. The Hearing Officer shall base his/her decision on submissions from the parties, including declarations under penalty of perjury, documents and/or stipulated facts and written and oral arguments, unless the Hearing Officer on his or her own initiative requests additional information. All written submissions by the City and the District shall be submitted to the Hearing Officer and each other simultaneously within 30 days of selecting the Hearing Officer. The Hearing Officer shall conduct one hearing within 30 days after the written submissions by the parties have been served on each other to hear oral argument and shall make a written decision within 30 days after the hearing concludes. The parties shall be bound by the Hearing Officer's written decision which shall not be subject to further appeal.

Section 8. Settlement Payment Subordinate to Debt Service. The City and District entered into a Settlement Agreement and Release (the “Settlement Agreement”) whereby the City agreed to pay the District \$4,000,000 in equal annual payments of \$1,000,000 each, commencing November 1, 2019 (the “Settlement Payments”). The City and the District hereby agree that the Settlement Payments are subordinate to the debt service payments made on the City’s 2020 Obligations.

Section 9. City Agrees to Receive District’s Allocable Share. Upon the District’s signature hereto, and so long the District can prepay the District’s 54% of the outstanding principal amount of the 2006 Bonds in accordance with Section 3 hereof by not later than _____, 2020, the City hereby agrees to accept the District’s payment in full satisfaction of the District’s obligations under the 2006 Financing Agreement, whereupon said agreement shall automatically terminate.

Section 10. Tax Certification.

a. Current Refunding. The City hereby acknowledges receipt of \$_____ (the “District Contribution”) from the District on _____, 2020, for the specific purpose of causing the redemption of the 54% of the outstanding principal amount of the 2006 Bonds assumed by the District as referenced herein (the “District’s Portion of Refunded 2006 Bonds”). The District Contribution, including earnings thereon, will be used to redeem the District’s Portion of Refunded 2006 Bonds within 90 days of the date hereof, in accordance with the Refunding Instructions.

b. Ownership and Use of Project; Continuing Compliance. The City has made certain covenants relating to the Project and the 2006 Bonds, as set forth in the Certificate Regarding Use of Proceeds, dated as of March 2, 2006 (the “2006 Use Certificate”), which is attached hereto as Attachment C. The City acknowledges that the 2006 Use Certificate has not been amended since its original execution, and that the City has, since the issuance of the 2006 Bonds, been in compliance with the covenants set forth therein.

Section 11. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the City and the District and their respective successors and assigns.

Section 12. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 13. Further Assurances and Corrective Instruments. The City and the District agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the expressed intention of this Agreement.

Section 14. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 15. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 16. Operating Agreement Controls. Any provisions of the Operating Agreement not expressly changed by this Agreement are unchanged by this Agreement and remain in full force and effect.

[Signature Page to Follow on Next Page]

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IN WITNESS WHEREOF, the City has caused this Agreement to be executed in its name by its duly authorized officer; and the District has caused this Agreement to be executed in its name by its duly authorized officer, as of the date first above written.

UKIAH VALLEY SANITATION DISTRICT

By: _____
Ernie Wipf, Chairman

ATTEST:

Approved as to form:

Donald McMullen, District Attorney

CITY OF UKIAH, CALIFORNIA

By: _____
Douglas Crane, Mayor

ATTEST:

Kristine Lawler, City Clerk

Approved as to form:

David J. Rapport, City Attorney

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Exhibit A

Form of Refunding Instructions

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Exhibit B

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Exhibit B

Example of True-Up Process Calculation

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SOURCES AND USES OF FUNDS

City of Ukiah
Wastewater Refunding Series
Analysis as of January 21, 2020
Preliminary; Subject to Change
Assumes Underlying S&P Rating 'A'
Refunding of ABAG 2006 Water & Wastewater Revenue Bonds, Series A
Private Placement Scenario
BBVA 2.42% 15-year bid FINAL

Dated Date 02/26/2020
Delivery Date 02/26/2020

Sources:	Wastewater Refunding Series City Share
Bond Proceeds:	
Par Amount	24,940,000.00
Other Sources of Funds:	
3/1/2020 District Share of 3-1-2020 D/S	1,802,996.00
Redemption Fund Balance*	104,265.06
Revenue Fund Balance*	414.01
	1,907,675.07
	26,847,675.07
Uses:	Wastewater Refunding Series City Share
Refunding Escrow Deposits:	
Cash Deposit	25,697,256.25
Delivery Date Expenses:	
Cost of Issuance	534,805.00
Other Uses of Funds:	
Deposit to Escrow Fund	615,043.75
Additional Proceeds	570.07
	615,613.82
	26,847,675.07

SUMMARY OF REFUNDING RESULTS

City of Ukiah
Wastewater Refunding Series
Analysis as of January 21, 2020
Preliminary; Subject to Change
Assumes Underlying S&P Rating 'A'
Refunding of ABAG 2006 Water & Wastewater Revenue Bonds, Series A
Private Placement Scenario
BBVA 2.42% 15-year bid FINAL

	Wastewater Refunding Series City Share	Total
Dated Date	02/26/2020	02/26/2020
Delivery Date	02/26/2020	02/26/2020
Arbitrage Yield	2.419972%	2.419972%
Escrow Yield		
Value of Negative Arbitrage		
Bond Par Amount	24,940,000.00	24,940,000.00
True Interest Cost	2.419972%	2.419972%
Net Interest Cost	2.420000%	2.420000%
Average Coupon	2.420000%	2.420000%
Average Life	8.215	8.215
Par amount of refunded bonds	25,125,000.00	25,125,000.00
Average coupon of refunded bonds	4.651595%	4.651595%
Average life of refunded bonds	8.056	8.056
PV of prior debt	29,627,352.78	29,627,352.78
Net PV Savings	3,395,291.53	3,395,291.53
Percentage savings of refunded bonds	13.513598%	13.513598%
Percentage savings of refunding bonds	13.613839%	13.613839%

SAVINGS

City of Ukiah

Wastewater Refunding Series

Analysis as of January 21, 2020

Preliminary; Subject to Change

Assumes Underlying S&P Rating 'A'

Refunding of ABAG 2006 Water & Wastewater Revenue Bonds, Series A

Private Placement Scenario

BBVA 2.42% 15-year bid FINAL

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Savings	Annual Savings	Present Value to 02/26/2020 @ 2.4199715%
02/26/2020		1,802,996.00	-1,802,996.00		-1,802,996.00		-1,802,996.00
03/01/2020	2,852,256.25		2,852,256.25		2,852,256.25	1,049,260.25	2,851,303.50
09/01/2020	523,806.25		523,806.25	1,005,156.61	-481,350.36		-475,436.85
03/01/2021	1,613,806.25		1,613,806.25	987,364.50	626,441.75	145,091.39	611,348.53
09/01/2021	500,643.75		500,643.75	999,967.10	-499,323.35		-481,467.18
03/01/2022	1,640,643.75		1,640,643.75	992,315.60	648,328.15	149,004.80	617,669.75
09/01/2022	475,706.25		475,706.25	1,002,652.00	-526,945.75		-496,025.49
03/01/2023	1,665,706.25		1,665,706.25	991,758.50	673,947.75	147,002.00	626,817.27
09/01/2023	449,675.00		449,675.00	999,889.20	-550,214.20		-505,618.73
03/01/2024	1,694,675.00		1,694,675.00	992,814.20	701,860.80	151,646.60	637,263.41
09/01/2024	422,440.63		422,440.63	1,001,715.00	-579,274.37		-519,671.56
03/01/2025	1,722,440.63		1,722,440.63	991,398.00	731,042.63	151,768.26	647,983.54
09/01/2025	393,190.63		393,190.63	1,003,093.10	-609,902.47		-534,143.93
03/01/2026	1,753,190.63		1,753,190.63	991,534.10	761,656.53	151,754.06	659,073.29
09/01/2026	362,590.63		362,590.63	998,999.30	-636,408.67		-544,110.70
03/01/2027	1,787,590.63		1,787,590.63	993,258.80	794,331.83	157,923.16	671,011.22
09/01/2027	329,637.50		329,637.50	999,469.90	-669,832.40		-559,075.68
03/01/2028	1,819,637.50		1,819,637.50	992,487.40	827,150.10	157,317.70	682,127.27
09/01/2028	295,181.25		295,181.25	999,468.60	-704,287.35		-573,862.19
03/01/2029	1,855,181.25		1,855,181.25	993,244.10	861,937.15	157,649.80	693,920.88
09/01/2029	259,106.25		259,106.25	1,003,971.20	-744,864.95		-592,500.24
03/01/2030	1,894,106.25		1,894,106.25	990,444.20	903,662.05	158,797.10	710,221.27
09/01/2030	221,296.88		221,296.88	1,002,953.50	-781,656.62		-606,988.24
03/01/2031	1,931,296.88		1,931,296.88	991,184.50	940,112.38	158,455.76	721,307.88
09/01/2031	181,753.13		181,753.13	1,001,427.60	-819,674.47		-621,382.40
03/01/2032	1,976,753.13		1,976,753.13	991,416.60	985,336.53	165,662.06	738,038.06
09/01/2032	140,243.75		140,243.75	1,004,393.50	-864,149.75		-639,528.38
03/01/2033	2,020,243.75		2,020,243.75	990,080.00	1,030,163.75	166,014.00	753,275.27
09/01/2033	95,593.75		95,593.75	1,001,802.80	-906,209.05		-654,715.28
03/01/2034	2,060,593.75		2,060,593.75	990,247.30	1,070,346.45	164,137.40	764,055.83
09/01/2034	48,925.00		48,925.00	1,003,691.80	-954,766.80		-673,402.41
03/01/2035	2,108,925.00		2,108,925.00	989,833.80	1,119,091.20	164,324.40	779,865.08
	35,096,837.55	1,802,996.00	33,293,841.55	29,898,032.81	3,395,808.74	3,395,808.74	2,884,356.78

Savings Summary

PV of savings from cash flow	2,884,356.78
Less: Prior funds on hand	-104,679.07
Plus: Refunding funds on hand	615,613.82
Net PV Savings	3,395,291.53

Note: Assumes Level Debt Service for Refunding Bonds.

SAVINGS

City of Ukiah

Wastewater Refunding Series

Analysis as of January 21, 2020

Preliminary; Subject to Change

Assumes Underlying S&P Rating 'A'

Refunding of ABAG 2006 Water & Wastewater Revenue Bonds, Series A

Private Placement Scenario

BBVA 2.42% 15-year bid FINAL

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Savings	Present Value to 02/26/2020 @ 2.4199715%
03/01/2020	2,852,256.25	1,802,996.00	1,049,260.25		1,049,260.25	1,048,307.50
03/01/2021	2,137,612.50		2,137,612.50	1,992,521.11	145,091.39	135,911.68
03/01/2022	2,141,287.50		2,141,287.50	1,992,282.70	149,004.80	136,202.56
03/01/2023	2,141,412.50		2,141,412.50	1,994,410.50	147,002.00	130,791.78
03/01/2024	2,144,350.00		2,144,350.00	1,992,703.40	151,646.60	131,644.68
03/01/2025	2,144,881.26		2,144,881.26	1,993,113.00	151,768.26	128,311.98
03/01/2026	2,146,381.26		2,146,381.26	1,994,627.20	151,754.06	124,929.36
03/01/2027	2,150,181.26		2,150,181.26	1,992,258.10	157,923.16	126,900.52
03/01/2028	2,149,275.00		2,149,275.00	1,991,957.30	157,317.70	123,051.59
03/01/2029	2,150,362.50		2,150,362.50	1,992,712.70	157,649.80	120,058.70
03/01/2030	2,153,212.50		2,153,212.50	1,994,415.40	158,797.10	117,721.03
03/01/2031	2,152,593.76		2,152,593.76	1,994,138.00	158,455.76	114,319.64
03/01/2032	2,158,506.26		2,158,506.26	1,992,844.20	165,662.06	116,655.66
03/01/2033	2,160,487.50		2,160,487.50	1,994,473.50	166,014.00	113,746.89
03/01/2034	2,156,187.50		2,156,187.50	1,992,050.10	164,137.40	109,340.55
03/01/2035	2,157,850.00		2,157,850.00	1,993,525.60	164,324.40	106,462.67
	35,096,837.55	1,802,996.00	33,293,841.55	29,898,032.81	3,395,808.74	2,884,356.78

Savings Summary

PV of savings from cash flow	2,884,356.78
Less: Prior funds on hand	-104,679.07
Plus: Refunding funds on hand	615,613.82
Net PV Savings	3,395,291.53

Note: Assumes Level Debt Service for Refunding Bonds.

BOND SUMMARY STATISTICS

City of Ukiah
Wastewater Refunding Series
Analysis as of January 21, 2020
Preliminary; Subject to Change
Assumes Underlying S&P Rating 'A'
Refunding of ABAG 2006 Water & Wastewater Revenue Bonds, Series A
Private Placement Scenario
BBVA 2.42% 15-year bid FINAL

Dated Date	02/26/2020
Delivery Date	02/26/2020
First Coupon	09/01/2020
Last Maturity	03/01/2035

Arbitrage Yield	2.419972%
True Interest Cost (TIC)	2.419972%
Net Interest Cost (NIC)	2.420000%
All-In TIC	2.721323%
Average Coupon	2.420000%

Average Life (years)	8.215
Duration of Issue (years)	7.313

Par Amount	24,940,000.00
Bond Proceeds	24,940,000.00
Total Interest	4,958,032.81
Net Interest	4,958,032.81
Total Debt Service	29,898,032.81
Maximum Annual Debt Service	1,994,627.20
Average Annual Debt Service	1,991,358.34

Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	

Total Underwriter's Discount	
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Bid Price	100.000000
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Bond Component	Par Value	Price	Average Coupon	Average Life
Term Bonds (City Share)	24,940,000.00	100.000	2.420%	8.215
	24,940,000.00			8.215

	TIC	All-In TIC	Arbitrage Yield
Par Value	24,940,000.00	24,940,000.00	24,940,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount			
- Cost of Issuance Expense		-534,805.00	
- Other Amounts			
Target Value	24,940,000.00	24,405,195.00	24,940,000.00
Target Date	02/26/2020	02/26/2020	02/26/2020
Yield	2.419972%	2.721323%	2.419972%

BOND PRICING

City of Ukiah
Wastewater Refunding Series
Analysis as of January 21, 2020
Preliminary; Subject to Change
Assumes Underlying S&P Rating 'A'
Refunding of ABAG 2006 Water & Wastewater Revenue Bonds, Series A
Private Placement Scenario
BBVA 2.42% 15-year bid FINAL

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Term Bonds (City Share):					
	09/01/2020	695,000	2.420%	2.420%	100.000
	03/01/2021	694,000	2.420%	2.420%	100.000
	09/01/2021	715,000	2.420%	2.420%	100.000
	03/01/2022	716,000	2.420%	2.420%	100.000
	09/01/2022	735,000	2.420%	2.420%	100.000
	03/01/2023	733,000	2.420%	2.420%	100.000
	09/01/2023	750,000	2.420%	2.420%	100.000
	03/01/2024	752,000	2.420%	2.420%	100.000
	09/01/2024	770,000	2.420%	2.420%	100.000
	03/01/2025	769,000	2.420%	2.420%	100.000
	09/01/2025	790,000	2.420%	2.420%	100.000
	03/01/2026	788,000	2.420%	2.420%	100.000
	09/01/2026	805,000	2.420%	2.420%	100.000
	03/01/2027	809,000	2.420%	2.420%	100.000
	09/01/2027	825,000	2.420%	2.420%	100.000
	03/01/2028	828,000	2.420%	2.420%	100.000
	09/01/2028	845,000	2.420%	2.420%	100.000
	03/01/2029	849,000	2.420%	2.420%	100.000
	09/01/2029	870,000	2.420%	2.420%	100.000
	03/01/2030	867,000	2.420%	2.420%	100.000
	09/01/2030	890,000	2.420%	2.420%	100.000
	03/01/2031	889,000	2.420%	2.420%	100.000
	09/01/2031	910,000	2.420%	2.420%	100.000
	03/01/2032	911,000	2.420%	2.420%	100.000
	09/01/2032	935,000	2.420%	2.420%	100.000
	03/01/2033	932,000	2.420%	2.420%	100.000
	09/01/2033	955,000	2.420%	2.420%	100.000
	03/01/2034	955,000	2.420%	2.420%	100.000
	09/01/2034	980,000	2.420%	2.420%	100.000
	03/01/2035	978,000	2.420%	2.420%	100.000
		24,940,000			

Dated Date 02/26/2020
Delivery Date 02/26/2020
First Coupon 09/01/2020

Par Amount 24,940,000.00
Original Issue Discount

Production 24,940,000.00 100.000000%
Underwriter's Discount

Purchase Price 24,940,000.00 100.000000%
Accrued Interest

Net Proceeds 24,940,000.00

BOND DEBT SERVICE

City of Ukiah

Wastewater Refunding Series

Analysis as of January 21, 2020

Preliminary; Subject to Change

Assumes Underlying S&P Rating 'A'

Refunding of ABAG 2006 Water & Wastewater Revenue Bonds, Series A

Private Placement Scenario

BBVA 2.42% 15-year bid FINAL

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
09/01/2020	695,000	2.420%	310,156.61	1,005,156.61	
03/01/2021	694,000	2.420%	293,364.50	987,364.50	1,992,521.11
09/01/2021	715,000	2.420%	284,967.10	999,967.10	
03/01/2022	716,000	2.420%	276,315.60	992,315.60	1,992,282.70
09/01/2022	735,000	2.420%	267,652.00	1,002,652.00	
03/01/2023	733,000	2.420%	258,758.50	991,758.50	1,994,410.50
09/01/2023	750,000	2.420%	249,889.20	999,889.20	
03/01/2024	752,000	2.420%	240,814.20	992,814.20	1,992,703.40
09/01/2024	770,000	2.420%	231,715.00	1,001,715.00	
03/01/2025	769,000	2.420%	222,398.00	991,398.00	1,993,113.00
09/01/2025	790,000	2.420%	213,093.10	1,003,093.10	
03/01/2026	788,000	2.420%	203,534.10	991,534.10	1,994,627.20
09/01/2026	805,000	2.420%	193,999.30	998,999.30	
03/01/2027	809,000	2.420%	184,258.80	993,258.80	1,992,258.10
09/01/2027	825,000	2.420%	174,469.90	999,469.90	
03/01/2028	828,000	2.420%	164,487.40	992,487.40	1,991,957.30
09/01/2028	845,000	2.420%	154,468.60	999,468.60	
03/01/2029	849,000	2.420%	144,244.10	993,244.10	1,992,712.70
09/01/2029	870,000	2.420%	133,971.20	1,003,971.20	
03/01/2030	867,000	2.420%	123,444.20	990,444.20	1,994,415.40
09/01/2030	890,000	2.420%	112,953.50	1,002,953.50	
03/01/2031	889,000	2.420%	102,184.50	991,184.50	1,994,138.00
09/01/2031	910,000	2.420%	91,427.60	1,001,427.60	
03/01/2032	911,000	2.420%	80,416.60	991,416.60	1,992,844.20
09/01/2032	935,000	2.420%	69,393.50	1,004,393.50	
03/01/2033	932,000	2.420%	58,080.00	990,080.00	1,994,473.50
09/01/2033	955,000	2.420%	46,802.80	1,001,802.80	
03/01/2034	955,000	2.420%	35,247.30	990,247.30	1,992,050.10
09/01/2034	980,000	2.420%	23,691.80	1,003,691.80	
03/01/2035	978,000	2.420%	11,833.80	989,833.80	1,993,525.60
	24,940,000		4,958,032.81	29,898,032.81	29,898,032.81

SUMMARY OF BONDS REFUNDED

City of Ukiah
Wastewater Refunding Series
Analysis as of January 21, 2020
Preliminary; Subject to Change
Assumes Underlying S&P Rating 'A'
Refunding of ABAG 2006 Water & Wastewater Revenue Bonds, Series A
Private Placement Scenario
BBVA 2.42% 15-year bid FINAL

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
2006 Water and Wastewater Revenue Bonds, SERIAL:					
	03/01/2020	4.250%	2,280,000.00		
	03/01/2021	4.250%	1,090,000.00	03/01/2020	100.000
	03/01/2022	4.375%	1,140,000.00	03/01/2020	100.000
	03/01/2023	4.375%	1,190,000.00	03/01/2020	100.000
	03/01/2024	4.375%	1,245,000.00	03/01/2020	100.000
	03/01/2025	4.500%	1,300,000.00	03/01/2020	100.000
	03/01/2026	4.500%	1,360,000.00	03/01/2020	100.000
			9,605,000.00		
2006 Water and Wastewater Revenue Bonds, 30T:					
	03/01/2027	4.625%	1,425,000.00	03/01/2020	100.000
	03/01/2028	4.625%	1,490,000.00	03/01/2020	100.000
	03/01/2029	4.625%	1,560,000.00	03/01/2020	100.000
	03/01/2030	4.625%	1,635,000.00	03/01/2020	100.000
			6,110,000.00		
2006 Water and Wastewater Revenue Bonds, 32T:					
	03/01/2031	4.625%	1,710,000.00	03/01/2020	100.000
	03/01/2032	4.625%	1,795,000.00	03/01/2020	100.000
			3,505,000.00		
2006 Water and Wastewater Revenue Bonds, 36T:					
	03/01/2033	4.750%	1,880,000.00	03/01/2020	100.000
	03/01/2034	4.750%	1,965,000.00	03/01/2020	100.000
	03/01/2035	4.750%	2,060,000.00	03/01/2020	100.000
			5,905,000.00		
			25,125,000.00		

Note: Excludes 2036 sinker which has been called.

PRIOR BOND DEBT SERVICE

City of Ukiah
Wastewater Refunding Series
Analysis as of January 21, 2020
Preliminary; Subject to Change
Assumes Underlying S&P Rating 'A'
Refunding of ABAG 2006 Water & Wastewater Revenue Bonds, Series A
Private Placement Scenario
BBVA 2.42% 15-year bid FINAL

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
03/01/2020	2,280,000	4.250%	572,256.25	2,852,256.25	2,852,256.25
09/01/2020			523,806.25	523,806.25	
03/01/2021	1,090,000	4.250%	523,806.25	1,613,806.25	2,137,612.50
09/01/2021			500,643.75	500,643.75	
03/01/2022	1,140,000	4.375%	500,643.75	1,640,643.75	2,141,287.50
09/01/2022			475,706.25	475,706.25	
03/01/2023	1,190,000	4.375%	475,706.25	1,665,706.25	2,141,412.50
09/01/2023			449,675.00	449,675.00	
03/01/2024	1,245,000	4.375%	449,675.00	1,694,675.00	2,144,350.00
09/01/2024			422,440.63	422,440.63	
03/01/2025	1,300,000	4.500%	422,440.63	1,722,440.63	2,144,881.26
09/01/2025			393,190.63	393,190.63	
03/01/2026	1,360,000	4.500%	393,190.63	1,753,190.63	2,146,381.26
09/01/2026			362,590.63	362,590.63	
03/01/2027	1,425,000	4.625%	362,590.63	1,787,590.63	2,150,181.26
09/01/2027			329,637.50	329,637.50	
03/01/2028	1,490,000	4.625%	329,637.50	1,819,637.50	2,149,275.00
09/01/2028			295,181.25	295,181.25	
03/01/2029	1,560,000	4.625%	295,181.25	1,855,181.25	2,150,362.50
09/01/2029			259,106.25	259,106.25	
03/01/2030	1,635,000	4.625%	259,106.25	1,894,106.25	2,153,212.50
09/01/2030			221,296.88	221,296.88	
03/01/2031	1,710,000	4.625%	221,296.88	1,931,296.88	2,152,593.76
09/01/2031			181,753.13	181,753.13	
03/01/2032	1,795,000	4.625%	181,753.13	1,976,753.13	2,158,506.26
09/01/2032			140,243.75	140,243.75	
03/01/2033	1,880,000	4.750%	140,243.75	2,020,243.75	2,160,487.50
09/01/2033			95,593.75	95,593.75	
03/01/2034	1,965,000	4.750%	95,593.75	2,060,593.75	2,156,187.50
09/01/2034			48,925.00	48,925.00	
03/01/2035	2,060,000	4.750%	48,925.00	2,108,925.00	2,157,850.00
	25,125,000		9,971,837.55	35,096,837.55	35,096,837.55

DISCLAIMER

City of Ukiah
Wastewater Refunding Series
Analysis as of January 21, 2020
Preliminary; Subject to Change
Assumes Underlying S&P Rating 'A'
Refunding of ABAG 2006 Water & Wastewater Revenue Bonds, Series A
Private Placement Scenario
BBVA 2.42% 15-year bid FINAL

We are providing this material to provide you with certain regulatory disclosures as required by the Municipal Securities Rulemaking Board. As part of our services, Piper Sandler may provide advice concerning the structure, timing, terms, and other similar matters concerning an issue of municipal securities that Piper Sandler is underwriting or placing. However, Piper Sandler intends to serve as an underwriter or placement agent and not as a financial advisor to you in this transaction; and the primary role of Piper Sandler is to purchase securities for resale to investors or arrange for the placement of securities in an arm's-length commercial transaction between you and Piper Sandler. Piper Sandler has financial and other interests that differ from your interests.

ESTIMATED

ESCROW COST

City of Ukiah
Wastewater Refunding Series
Analysis as of January 21, 2020
Preliminary; Subject to Change
Assumes Underlying S&P Rating 'A'
Refunding of ABAG 2006 Water & Wastewater Revenue Bonds, Series A
Private Placement Scenario
BBVA 2.42% 15-year bid FINAL

Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost
02/26/2020		25,697,256.25	25,697,256.25
	0	25,697,256.25	25,697,256.25

ESTIMATED

ESCROW REQUIREMENTS

City of Ukiah
Wastewater Refunding Series
Analysis as of January 21, 2020
Preliminary; Subject to Change
Assumes Underlying S&P Rating 'A'
Refunding of ABAG 2006 Water & Wastewater Revenue Bonds, Series A
Private Placement Scenario
BBVA 2.42% 15-year bid FINAL

Period Ending	Principal	Interest	Principal Redeemed	Total
03/01/2020	2,280,000.00	572,256.25	22,845,000.00	25,697,256.25
	2,280,000.00	572,256.25	22,845,000.00	25,697,256.25

ESTIMATED

ESCROW STATISTICS

City of Ukiah
Wastewater Refunding Series
Analysis as of January 21, 2020
Preliminary; Subject to Change
Assumes Underlying S&P Rating 'A'
Refunding of ABAG 2006 Water & Wastewater Revenue Bonds, Series A
Private Placement Scenario
BBVA 2.42% 15-year bid FINAL

Escrow	Total Escrow Cost	Modified Duration (years)	Yield to Receipt Date	Yield to Disbursement Date	Perfect Escrow Cost	Value of Negative Arbitrage	Cost of Dead Time
Wastewater Refunding Series City Share:							
	25,697,256.25				25,688,672.49		8,583.76
	25,697,256.25				25,688,672.49	0.00	8,583.76

Delivery date 02/26/2020
Arbitrage yield 2.419972%

ESTIMATED

ESCROW SUFFICIENCY

City of Ukiah
Wastewater Refunding Series
Analysis as of January 21, 2020
Preliminary; Subject to Change
Assumes Underlying S&P Rating 'A'
Refunding of ABAG 2006 Water & Wastewater Revenue Bonds, Series A
Private Placement Scenario
BBVA 2.42% 15-year bid FINAL

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
02/26/2020		25,697,256.25	25,697,256.25	25,697,256.25
03/01/2020	25,697,256.25		-25,697,256.25	
	25,697,256.25	25,697,256.25	0.00	

ESTIMATED