



## REGULAR MEETING AGENDA FOR THE CITY COUNCIL OF THE CITY OF NAPA

September 20, 2016

3:30 PM Afternoon Session  
6:30 PM Evening Session

City Hall Council Chambers  
955 School Street

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### INFORMATION FOR CITY MEETINGS:

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**Information Available:** Documents related to the City Council or the Board for the Housing Authority are available at [www.cityofnapa.org](http://www.cityofnapa.org); or email [clerk@cityofnapa.org](mailto:clerk@cityofnapa.org); or contact the Office of the City Clerk: 955 School Street, Napa, CA 94559/ telephone: (707) 257-9503. Any documents related to an agenda item provided to a majority of the City Council (Board) after distribution of the agenda packet are available for public inspection at the Office of the City Clerk or in a binder so labeled in the Council Chambers on the meeting date.

**Public Comment:** Speaker cards are available; it is requested but not required, to submit a card to the City Clerk before the meeting begins. Speakers will be limited to three (3) minutes and will comply with the City's rules of order. If your comments pertain to a specific item on the agenda, reserve your comments until the item is before the City Council (Board). Time limits will be enforced by the Mayor to facilitate the fair and efficient conduct of the meeting.

**Consent Calendar:** Items are considered routine and may be approved by a single vote. Only the Mayor (Chair) or a majority of the City Council (Board) may authorize public input.

**Consent Hearings:** These routine items may be approved by a single vote; however, any member of the public or City Council (Board) may remove an item for consideration during the public hearing portion of the agenda.

**Administrative Reports:** Only the Mayor (Chair) or a majority of the governing body may authorize public input for these items.

**Public Hearings/Appeals:** Applicants (or appellants) are allowed ten (10) minutes to present testimony at the beginning of the public hearing, and if needed, five (5) minutes to present rebuttal at the end of the public hearing. All other speakers will be limited to three (3) minutes.

**Meeting Dates:** The City Council meets regularly on the first and third Tuesday of each month; however additional meetings may be scheduled as needed.

**Governing Law:** City Council (Board) conducts all meetings in accordance with the "Ralph M. Brown Act" (California Government Code Sections 54950, et seq.) and pursuant to the City's Rules of Order for City Council meetings (Policy Resolution 19).

**3:30 P.M. CITY COUNCIL MEETING: AFTERNOON SESSION**

**COUNCILMEMBERS: Juliana Inman, Peter Mott, Scott Sedgley,  
Vice Mayor Mary Luros, Mayor Jill Techel**

**1. CALL TO ORDER:**

**1.A. Roll Call**

**2. AGENDA REVIEW AND SUPPLEMENTAL REPORTS:**

[Click here to view informational material received before the meeting.](#)

**3. SPECIAL PRESENTATIONS:**

**3.A. Proclamation "Bay Day"**

Proclamation designating October 1, 2016, "Bay Day" in the City of Napa.

**4. PUBLIC COMMENT:**

**5. CONSENT CALENDAR:**

**5.A. City Council Meeting Minutes**

Approve the September 6, 2016 Regular City Council Meeting Minutes.

**5.B. Appointments to the City of Napa Bicycle and Trails Advisory Commission**

Appoint incumbents Joel King and Jeremy Sill, and new member Jimmy Kawalek, to the Bicycle and Trails Advisory Commission.

**5.C. Appointments to the Board of the Housing Authority of the City of Napa**

Consider re-appointment of incumbents Johanna Moore and Carol Hamilton to fill the two tenant representative seats of the Board of Commissioners for the Housing Authority of the City of Napa.

**5.D. Appointments to the City of Napa Tree Advisory Commission**

Appoint incumbents Chris Sauer and Seth Pare-Mayer to the Tree Advisory Commission.

**5.E. Resolution Scheduling Hearing to Modify the Boundary, Revenue Purpose, and Name of Parking and Business Improvement Area 1, Benefit Zone 1 (2005)**

Adopt a Resolution of Intention to Modify the Parking and Business Improvement Area 1, Benefit Zone 1 (2005), by: (1) Renaming the area the "Downtown Parking Assessment Area", (2) Amending the Boundaries to add six new parcels, (3) Amending Allowable Uses of Assessment Revenue to Include Parking Maintenance, (4) Fixing the Time and Place of a Public Meeting and Public Hearing Thereon, and Giving Notice Thereof; and 5) Determining that these actions are not subject to CEQA.

**5.F. Agreement for Services with FME Architecture + Design to Prepare a Master Plan for the CineDome Focus Area**

Authorize the City Manager to execute an agreement with FME Architecture + Design in an amount not to exceed \$211,500 to prepare a master plan for the CineDome Focus Area.

**6. ADMINISTRATIVE REPORTS:**

**6.A. Revenue Bond Issuance for Covered Compost System and Other Capital Improvements at City's Materials Diversion Facility**

Adopt a resolution authorizing the issuance and sale of solid waste revenue bonds, in an amount not to exceed \$12,500,000, for the purpose of financing the costs of constructing covered compost system and other capital improvements to the MDF, and related matters; and determine that the potential environmental impacts of these actions were adequately analyzed by a previously adopted mitigated negative declaration.

**6.B. Consideration of the Establishment of Evaluation Criteria for Proposals for the Public Safety and City Services Building Project (FC15PW02)**

Establish Criteria for Evaluation of Proposals for the Design, Construction, Operation, and Financing of a Public Safety and City Services Building Project, and for the Privately Funded Development of Excess City Property.

**7. PUBLIC HEARINGS/APPEALS:**

**7.A. Second Reading of Ordinance/Resolution Adopting Parking Impact Fee**

Approve the second reading and final passage, and adopt an ordinance amending Napa Municipal Code Chapter 15.94 relating to the procedures for the Parking Impact Fee; and adopt a resolution adopting a Parking Impact Fee for non-residential development in the Parking Exempt Overlay District.

**7.B. Consolidated Annual Performance Evaluation Report (CAPER)**

Adopt a resolution approving the CDBG Fiscal Year 2015-2016 Consolidated Annual Performance Evaluation Report (the "CAPER") with the addition of public hearing comments and authorizing staff to submit the report to HUD and determine that the recommended action is exempt from CEQA.

**8. COMMENTS BY COUNCIL OR CITY MANAGER:**

**9. CLOSED SESSION:**

**9.A. Conference with Real Property Negotiators (Government Code section 54956.8):** Property: Approximately 0.5 acre parcel at the southeast corner of Randolph Street and Second Street (APN 003-212-001). City Negotiators: Mike Parness, Rick Tooker, Michael Barrett, Jeff Freitas, Jack LaRochelle. Negotiating Parties: City of Napa, and James Keller. Under Negotiation: price and terms of payment.

**CITY COUNCIL RECESS**

**6:30 P.M. CITY COUNCIL MEETING: EVENING SESSION**

**COUNCILMEMBERS:** Juliana Inman, Peter Mott, Scott Sedgley,  
Vice Mayor Mary Luros, Mayor Jill Techel

10. **CALL TO ORDER:**
  - 10.A. Roll Call
11. **PLEDGE OF ALLEGIANCE:**
12. **AGENDA REVIEW AND SUPPLEMENTAL REPORTS:**
13. **REPORT ACTION TAKEN IN CLOSED SESSION:**
14. **PUBLIC COMMENT:**
15. **COMMENTS BY COUNCIL OR CITY MANAGER:**
16. **ADJOURNMENT:**

The next regularly scheduled meeting of the City of Napa City Council is October 4, 2016.

I HEREBY CERTIFY THAT THE AGENDA FOR THE ABOVE STATED MEETING (S) WAS POSTED AT A LOCATION FREELY ACCESSIBLE TO MEMBERS OF THE PUBLIC AT CITY HALL, 955 SCHOOL STREET, ON FRIDAY, SEPTEMBER 16, 2016 AT 4:30 P.M.

/s/Jonathan Sheldon, Deputy City Clerk

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**MAYOR'S MESSAGE:**

The City Council pledges to listen carefully to all sides of an issue, examine the rights of each individual, and consider the needs of our community before making a decision. Accordingly, the Council expects members of the audience to conduct themselves with courtesy and respect during the meeting. Thank you for your cooperation and for your public participation.



## **GENERAL INFORMATION:**

Please turn off cell phones and pagers before entering the Council Chambers.
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The City Council meets regularly on the first and third Tuesday of each month. The Council may also schedule additional special meetings for the purpose of completing unfinished business and/or study session. Regular meetings are held in the Council Chambers, City Hall, 955 School Street.

**NOTE:** Additional written information is available for items on this agenda, and may be obtained or reviewed by visiting the City website at [www.cityofnapa.org](http://www.cityofnapa.org); e-mailing [clerk@cityofnapa.org](mailto:clerk@cityofnapa.org); or contacting the office of the City Clerk at 955 School Street, Napa, CA. 94559 by mail or in person or by telephone at (707) 257-9503.

## **CITY POLICY TO FACILITATE ACCESS TO PUBLIC MEETINGS:**

Each City entity offers public programs, services, and meetings in a manner that is reasonably accessible to everyone, including individuals with disabilities. Each City entity complies with all applicable requirements of the Americans with Disabilities Act and California law, and does not discriminate against any person with a disability. Wheelchair access to the Council Chambers and speaker's microphone is available to all persons.

If any person has a disability and requires information or materials in an appropriate alternative format (or any other reasonable accommodation), or if you need any special assistance to participate in this meeting, please contact the City Clerk Department at 257-9503. For TTY/ Speech-to-Speech users, dial 7-1-1 for the California Relay Service, offering free text-to-speech, speech-to-speech, and Spanish-language services 24 hours a day, 7 days a week. You may also contact the City Clerk at [clerk@cityofnapa.org](mailto:clerk@cityofnapa.org) for more information.

In making any request for assistance, advance notice to the City forty-eight hours prior to the meeting will enable the City to make reasonable arrangements.

Se les pide por favor que avise con 48 horas de anticipación cuando haga un pedido para asistencia. Esto les da suficiente tiempo antes de la junta para permitir que la ciudad tome medidas razonables.

## **CHALLENGING DECISIONS OF CITY ENTITIES:**

The time limit within which to commence any lawsuit or legal challenge to any quasi-adjudicative decision made by any City Entity (including the City of Napa or the Housing Authority of the City of Napa) is governed by Section 1094.6 of the Code of Civil Procedure, unless a shorter limitation period is specified by any other provision. Under Section 1094.6, any lawsuit or legal challenge to any quasi-adjudicative decision made by any City Entity must be filed no later than the 90<sup>th</sup> day following the date on which such decision becomes final. Any lawsuit or legal challenge, which is not filed within that 90-day period, will be barred.

If a person wishes to challenge the nature of the above actions in court, they may be limited to raising only those issues they or someone else raised at the meeting described in this notice, or in written correspondence delivered to the City of Napa, at or prior to the meeting. In addition, judicial challenge may be limited or barred where the interested party has not sought and exhausted all available administrative remedies.



CITY OF NAPA CITY COUNCIL  
**AGENDA REPORT**

SPECIAL PRESENTATIONS  
AGENDA ITEM 3.A.

Date: September 20, 2016

To: Honorable Mayor and Members of City Council

From: Dorothy Roberts, City Clerk

Prepared by: Carlyce Banayat, Imaging Clerk

Subject: Proclamation "Bay Day"

**ISSUE STATEMENT:**

Proclamation designating October 1, 2016, "Bay Day" in the City of Napa.

**DISCUSSION:**

This is a request from Brent Reed, Management Analyst II, City of Napa Parks and Recreation Services on behalf of Laura Thompson, Bay Trail Project Manager, Association of Bay Area Governments. Shari Gardner, representative of Friends of the Napa River, will accept the proclamation.

**FINANCIAL IMPACTS:**

None

**CEQA:**

The City Clerk has determined that the Recommended Action described in this Agenda Report is not subject to CEQA, pursuant to CEQA Guidelines Section 15060(c).

**DOCUMENTS ATTACHED:**

1. Attachment 1 - Proclamation

**NOTIFICATION:**

None

**RECOMMENDED ACTION:**

No motion required



# CITY OF NAPA PROCLAMATION

*Bay Day*  
*October 1, 2016*

**WHEREAS,** The San Francisco Bay is central to the quality of life of all residents of the City of Napa and the Bay Area and sustains a wide range of recreational and commercial activities that are critical to the local economy; and

**WHEREAS,** the health of San Francisco Bay and the Bay Area is threatened by pollution and climate change, and restoring Bay wetlands and reducing pollution in the Bay provides multiple benefits for all Bay Area residents and local wildlife; and

**WHEREAS,** the San Francisco Bay Clean Water Pollution Prevention and Habitat Restoration Program, approved by voters as Measure AA on June 7, 2016, will protect San Francisco Bay for future generations by reducing trash, pollution and harmful toxins, improving water quality, restoring habitat for fish, birds and wildlife, protecting communities from floods and increasing shoreline public access; and

**WHEREAS,** the people of the Bay Area should celebrate San Francisco Bay together as a region on at least one Bay Day each year to inspire appreciation, conversation, education, and action for the Bay, in order to highlight the work of Save the Bay and other environmental organizations and individuals to improve the health of San Francisco Bay over the past fifty years.

**NOW, THEREFORE, BE IT RESOLVED** that I, Jill Techel, Mayor of the City of Napa, along with the Napa City Council, do hereby proclaim *October 1, 2016 as Bay Day* and the first Saturday of October in future years to come.

Dated: September 20, 2016

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JILL TECHEL, MAYOR  
CITY OF NAPA



CITY OF NAPA CITY COUNCIL  
**AGENDA REPORT**

CONSENT CALENDAR  
AGENDA ITEM 5.A.  
Date: September 20, 2016

To: Honorable Mayor and Members of City Council

From: Dorothy Roberts, City Clerk

Prepared by: Carlyce Banayat, Imaging Clerk

Subject: City Council Meeting Minutes

**ISSUE STATEMENT:**

Approve the September 6, 2016 Regular City Council Meeting Minutes.

**DISCUSSION:**

Approve the September 6, 2016 Regular City Council Meeting Minutes.

**FINANCIAL IMPACTS:**

None

**CEQA:**

The City Clerk has determined that the recommended action described in this agenda report is not subject to CEQA Guidelines Section 15060(c).

**DOCUMENTS ATTACHED:**

1. Attachment 1 - September 6, 2016 Draft Regular City Council Meeting Minutes.

**NOTIFICATION:**

None

**RECOMMENDED ACTION:**

Staff recommends that the City Council move, second and approve each of the actions set forth below, in the form of the following motion. Move to:

Approve the September 6, 2016 Regular City Council Meeting Minutes.





## DRAFT

**REGULAR MEETING MINUTES  
FOR THE CITY COUNCIL OF THE CITY OF NAPA**

**SEPTEMBER 6, 2016  
3:30 PM Afternoon Session  
6:30 PM Evening Session**

City Hall Council Chambers  
955 School Street

**3:30 P.M. CITY COUNCIL MEETING: AFTERNOON SESSION**

**1. CALL TO ORDER: 3:30 P.M.**

**1.A Roll Call**

PRESENT: Inman , Sedgley, Mott, Luros, Mayor Techel

ABSENT: None

**2. AGENDA REVIEW AND SUPPLEMENTAL REPORTS:**

Deputy Clerk Sheldon announced the following Supplemental Report:  
Item 5A: PowerPoint presentation from staff.

**3. PUBLIC COMMENT:**

**4. CONSENT CALENDAR:**

Councilmember Inman and Councilmember Mott both announced recusal on Item 4F (First and Second Street Roundabout Amendment to Agreement with Omni Means) due to a financial conflict as both Councilmembers own property within 500 feet of the subject property.

Moved, seconded ( Sedgley / Luros ) to approve consent calendar as presented with Councilmembers Mott and Inman recusing on Item 4F as stated above.

Motion carried:

AYES: Inman, Sedgley, Mott, Luros, Mayor Techel

NOES: None

ABSENT: None

*RECUSED: Inman and Mott on Consent Item 4F*

**4.A Approve August 16, 2016 Regular City Council Meeting Minutes**

Approved August 16, 2016 Regular City Council Meeting Minutes

## DRAFT

**4.B Ordinance amending the contract between the Public Employees Retirement System and the City Council of the City of Napa.**

Approved the second reading and final passage, and adopted Ordinance O2016-11 to amend the contract between the City of Napa and the Board of Administration of the California Public Employees Retirement System (CalPERS) to provide for miscellaneous, police safety and public safety Executive staff sharing employer costs towards pension benefits.

**4.C Gann Appropriation Limits for Fiscal Year 2016-17**

Adopted Resolution R2016 116 establishing the Gann appropriations limit for Fiscal Year 2016-17.

**4.D Amendment 1 to Agreement C2015 177 with V. Dolan Trucking**

Authorized the Public Works Director to execute an amendment to agreement C2015 177 with V.Dolan Trucking for Fiscal Year 2016/17 by \$200,000 for trucking services to haul materials for City operations.

**4.E Agreements for On-Call Civil Engineering Services**

Approved individual two-year agreements with Bartelt Engineering, Foulk Civil Engineering, Inc., GHD, Inc., and Omni-Means Engineering Solutions for task order based on-call civil engineering services, each in an amount not to exceed \$250,000 and authorize the Public Works Director to execute the agreements.

**4.F Amendment to Agreement No. C2013 452 with Omni Means Engineers and Planners, LTD**

Approved Amendment No. 2 to Agreement No. C2013 452 with Omni-Means Engineers and Planners, Ltd. in the amount of \$25,418 for a total contract amount not to exceed \$1,570,512 to cover the costs associated with the Archaeological Extended Phase I study (XPI) and obtain pedestrian counts and analysis related to the proposed First and Second Street Roundabouts Project, authorize the Public Works Director to execute the amendment, and determine that the project was the subject of previous CEQA analysis.

***RECUSED: Councilmembers Inman and Mott***

**4.G Amend Classification Plan by Adopting Revisions to Class Spec for Class of Housing Rehabilitation Specialist & Abolish Housing Services Specialist**

Adopted Resolution R2016-117 amending the City Classification Plan by Adopting Revisions to the Classification Specification for the Class of Housing Rehabilitation Specialist and Abolish the Classification of Housing Services Specialist

## DRAFT

**4.H Amend the Classification Plan by Adopting the Class Spec and Salary Range for the Class of Police Property Technician**

Adopted Resolution R2016-118 amending the City Classification Plan by adopting the new classification and salary range for the class of Police Property Technician.

**4.I Vista Tulocay Apartments a 282 Unit Apartment Project Located on the Property West of 467 Soscol Avenue**

Approved the second reading and final passage of Ordinance O2016-12 amending the requirement for on-street parking for Entry Way and North Drive; and approved the second reading and final passage and adopted Ordinance O2016-13 establishing a Development Agreement between the City of Napa and Napa Vista Tulocay, LLC.

**4.J Joining the CSCDA Open PACE Program**

Adopted Resolution R2016-119 authorizing the inclusion of properties within the City of Napa in the California Statewide Communities Development Authority Open PACE Programs; authorizing the California Statewide Communities Development Authority to accept applications from property owners, conduct contractual assessment proceedings and levy contractual assessments within the City; and authorizing related actions.

**5. ADMINISTRATIVE REPORTS:****5.A Construction Contract for the Fire Station No. 5 Project**

Ernie Cabral, Associate Civil Engineer provided the PowerPoint presentation to review the project.

Discussion and questions ensued by members of Council concerning the increases in construction costs, the causes for the various delays including the discovery of contaminated soil and the remediation thereof, the trends in costs in contracting, the bid process, cost differentials and local preference contractor issues.

Moved, seconded ( Mott / Inman ) to adopt Resolution R2016-120 authorizing the Public Works Director to award and execute a construction contract to Diede Construction, Inc., for the Fire Station No. 5 Project and authorizing a budget appropriation.

Motion carried:

AYES: Inman, Sedgley, Mott, Luros, Mayor Techel  
 NOES: None  
 ABSENT: None

## DRAFT

**6. CONSENT HEARINGS:****6.A TEFRA Hearing for Napa Park Homes**

Vice Mayor Luros announced that Napa Valley Community Housing is a client of hers in her professional capacity as an attorney and therefor she must recuse due to a financial conflict.

Mayor Techel called for any member of the public to speak on the issue, there being none; the Consent Hearing was opened and closed without comment.

Moved, seconded ( Inman / Mott ) to adopt Resolution R2016-121 authorizing issuance of the California Municipal Finance Authority Revenue bonds in an aggregate principal amount not to exceed \$45,000,000 to finance the acquisition, rehabilitation, improvement and equipping of a 140-unit multifamily rental housing facility for the benefit of Napa Park Homes, Inc. or an affiliate thereof.

Motion carried:

AYES: Inman, Sedgley, Mott, Mayor Techel

NOES: None

ABSENT: None

RECUSED: Vice Mayor Luros

**7. COMMENTS BY COUNCIL OR CITY MANAGER: None.****8. CLOSED SESSION:**

City Attorney Barrett announced the following Closed Session items:

Councilmember Inman announced her recusal on Item 8A due to a Conflict of Interest under Government Code Section 87100.

**8.A CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION:** Initiation of litigation in one case, pursuant to Government Code Section 54956.9(d)(4).

**8.B PUBLIC EMPLOYEE PERFORMANCE EVALUATION:** Title: City Attorney (Government Code section 54957).

**CITY COUNCIL RECESS: 4:13 P.M.**

**6:30 P.M. CITY COUNCIL MEETING: EVENING SESSION**

## DRAFT

**9. CALL TO ORDER:****9.A Roll Call**

PRESENT: Inman , Sedgley, Mott, Luros, Mayor Techel

ABSENT: None

**10. PLEDGE OF ALLEGIANCE:****11. AGENDA REVIEW AND SUPPLEMENTAL REPORTS:**

Deputy City Clerk Sheldon announced the following supplemental communication:

Item 14 A: PowerPoint presentation by staff. .

**12. REPORT ACTION TAKEN IN CLOSED SESSION:**

City Attorney Barrett stated that Councilmember Inman recused on Item 8A; Council voted unanimously (4-0/ Inman recusal) to initiate litigation in one case, the details of which would become public once action is commenced and served and available upon request.

**13. PUBLIC COMMENT:**

James Hinton, resident – spoke about Proposition 64 the statewide Proposition to legalize cannabis.

**14. ADMINISTRATIVE REPORTS:****14.A Update on the Status of Key Capital Improvement Projects**

John Ferons, Senior Civil Engineer, provided information regarding status of key current Capital Improvement Program (CIP) projects.

Council discussion ensued. There was no action; Item was informational in nature.

**15. COMMENTS BY COUNCIL OR CITY MANAGER: None****16. ADJOURNMENT: 7:15 P.M.**

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Dorothy Roberts, City Clerk



CITY OF NAPA CITY COUNCIL  
**AGENDA REPORT**

CONSENT CALENDAR  
AGENDA ITEM 5.B.  
Date: September 20, 2016

To: Honorable Mayor and Members of City Council

From: Dorothy Roberts, City Clerk

Prepared by: Tiffany Carranza, Office Assistant II

Subject: Appointments to the City of Napa Bicycle and Trails Advisory Commission

**ISSUE STATEMENT:**

Appoint incumbents Joel King and Jeremy Sill, and new member Jimmy Kawalek, to the Bicycle and Trails Advisory Commission.

**DISCUSSION:**

**COMPOSITION AND PURPOSE OF THE BOARD**

The Bicycle and Trails Advisory Commission is governed by Chapter 2.73 of the City of Napa Municipal Code and is advisory to City Council and to the City's Public Works Department on matters regarding bicycle transportation and bicycle and trail issues. Each member should demonstrate dedication as a bicyclist and/or training or experience in the field of transportation, recreational trail planning or engineering.

The commission consists of six members. Five are appointed by the City Council. The sixth, non-voting member, is appointed by the Parks and Recreation Advisory Commission from their existing membership.

**NUMBER AND TIMING OF VACANCIES INCLUDING SPECIAL QUALIFICATIONS**

There are three term expirations effective September 30, 2016.

**RECRUITMENT PROCESS**

The City Clerk accepted applications for the Commission from July 28, 2016 through August 26, 2016. Recruitment announcements were published on the City's website, posted at City facilities, forwarded to the Napa County Library, Napa Valley College, Napa Chamber of Commerce, Napa Valley Unified School District, the County of Napa, Napa County Hispanic Chamber of Commerce, and various non-profit agencies.

## **APPLICATIONS RECEIVED**

Three applications were received: Jeremy Sill, Joel King and Jimmy Kawalek

## **SPECIAL NOTES**

Joel King is applying for a fifth term and Jeremy Sill is applying for a third term. Jimmy Kawalek is a new applicant.

Genji Schmeder, commission member since October 1, 2014, did not reapply for an additional term.

## **FINANCIAL IMPACTS:**

None

## **CEQA:**

The City Clerk has determined that the recommended action described in this agenda report is not subject to CEQA, pursuant to CEQA Guidelines Section 15060(c).

## **DOCUMENTS ATTACHED:**

1. Attachment 1 – Bicycle and Trails Advisory Commission Applications (three openings):
  1. Joel King (incumbent)
  2. Jeremy Sill (incumbent)
  3. Jimmy Kawalek

## **NOTIFICATION:**

Applicants

## **RECOMMENDED ACTION:**

Staff recommends that the City Council move, second and approve each of the actions set forth below, in the form of the following motion. Move to:

Reappoint incumbents Joel King and Jeremy Sill and appoint Jimmy Kawalek to the Bicycle and Trails Advisory Commission for terms effective October 1, 2016 and ending September 30, 2018.



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## Profile

Jeremy

First Name

Sill

Last Name

Middle Initial

Email Address

Street Address

City

Suite or Apt

State

Postal Code

## Mailing Address (if different than Resident Address above)

Primary Phone

Alternate Phone

10.5  
years

Length of Residence in the City of Napa:

10.5  
years

Length of Residence in the County of Napa:

## Registered to vote in the City of Napa?

☒ Yes ☐ No

RSA+

Employer

Civil Engineer

Job Title

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## Interests & Experiences

### Which Boards would you like to apply for?

Bicycle and Trails Advisory Commission

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Upload a Resume

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**Community Service Experience:**

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4 years on the City of Napa Bicycle and Trails Commission, past president Napa Active 20-30 club, past president Napa Engineer's Society, member of Vine Trail Engineering Committee

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**Education:**

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Bachelors in Civil Engineering from CSU Chico. Professional Engineers license

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**Other relevant experience or expertise:**

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Designed numerous bicycle and pedestrian facilities including multiple sections of the Vine Trail.

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**Additional Questions**

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**What is your understanding of the role and responsibility of this board?**

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To advise and provide recommendations to City staff and City Council in items pertaining to bicycle and pedestrian facilities.

Yes, 24 or

so

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Have you ever attended a meeting of this board? If so, how many?

---

**What duties of this board are most interesting to you?**

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Enjoy future planning for new trails. Also like reviewing development projects for bicycle and pedestrian facilities.

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**What activities of this board are least interesting to you?**

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Discussing bylaws

## ATTACHMENT 1

### What programs or projects would you like to see improved or implemented?

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Bike and pedestrian circulation through downtown Brown Street corridor Regular closure of street(s) for bike and pedestrian use. Similar to porchfest or Martin Luther King Boulevard in Golden Gate park on Sundays. Updates to the City of Napa Bicycle Plan

### How would you approach improving these project(s) or program(s)?

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Bike and Ped through downtown and Brown Street corridor - allow Brown Street to be closed for bikes/peds only. Condition new development projects to put an emphasis on bike and pedestrian facilities Street Closures - review if feasible in select areas. Porchfest brought out many bicycles as people felt more comfortable. Bicycle Plan - we are currently doing this but the process of reviewing the current plan brings new projects to line and also identifies low hanging fruit for projects that could be done sooner rather than later.

### Are you involved in any organizations or activities that may result in a conflict of interest if you are appointed to this board?

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New development projects that I am designing involving bike projects that the commission discusses may require me to recuse myself

### Please list two local references and their phone numbers:

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[REDACTED]

### How did you learn of this vacancy?

---

☒ Internet

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## Profile

Joel		King
First Name	Middle Initial	Last Name
		
Email Address		
		
Street Address		
		
City	Suite or Apt	
	State	Postal Code

## Mailing Address (if different than Resident Address above)



	
Primary Phone	Alternate Phone

36  
years

Length of Residence in the City of Napa:

36  
years

Length of Residence in the County of Napa:

## Registered to vote in the City of Napa?

☒ Yes ☐ No

Retired - County of Napa	Retired - Agricultural Biologist
Employer	Job Title

---

## Interests & Experiences

### Which Boards would you like to apply for?

Bicycle and Trails Advisory Commission

---

Upload a Resume

**Community Service Experience:**

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BTAC 16 years; Active Transportation Advisory Committee (NVTAC) 16 years; Napa Bike Coalition 8 years; Vine Trail Coalition Board member 6 years

**Education:**

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Northwestern University: B.A. Biology 1976 University of Minnesota: M.S. Entomology 1978

**Other relevant experience or expertise:**

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I commuted by bicycle for over 30 years in Napa. I walk or ride my bike as my main form of transportation in Napa. I am a League Certified Instructor in bike safety by the League of American Bicyclists.

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**Additional Questions**

**What is your understanding of the role and responsibility of this board?**

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The role of the BTAC is to advise Napa Public Works and the city council on bicycle and trail issues in the city of Napa.

the meetings over the last 16 years.

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Have you ever attended a meeting of this board? If so, how many?

**What duties of this board are most interesting to you?**

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Updating the city's bike plan; helping to connect the city's bike network, creating routes north-south and east-west through the city that everyone can feel safe in riding or walking.

**What activities of this board are least interesting to you?**

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Meetings can be not that interesting if the board doesn't get to take action.

## ATTACHMENT 1

### What programs or projects would you like to see improved or implemented?

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Completing the Vine Trail through Napa and working to connect Napa's neighborhoods to the trail. Building out the bicycle network in the city's bike plan. Improving the city's bike friendly community designation. Improving bicycle safety education.

### How would you approach improving these project(s) or program(s)?

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I would work with Public Works on making the best bike plan that Napa could have and help find funding to implement that.

### Are you involved in any organizations or activities that may result in a conflict of interest if you are appointed to this board?

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No

### Please list two local references and their phone numbers:

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[REDACTED]

### How did you learn of this vacancy?

---

☒ Other

---

## Profile

Jimmy

First Name

Kawalek

Last Name

Middle Initial

Email Address

Street Address

City

Suite or Apt

State

Postal Code

## Mailing Address (if different than Resident Address above)

Primary Phone

Alternate Phone

5  
years

Length of Residence in the City of Napa:

5  
years

Length of Residence in the County of Napa:

## Registered to vote in the City of Napa?

☒ Yes ☐ No

jimmykawalek.com

Employer

Owner /  
Operator

Job Title

---

## Interests & Experiences

### Which Boards would you like to apply for?

Bicycle and Trails Advisory Commission

---

Upload a Resume

**Community Service Experience:**

---

President Coombsville Vintners and Growers

**Education:**

---

International Sommelier Guild Sonoma State Wine Management

**Other relevant experience or expertise:**

---

---

**Additional Questions**

**What is your understanding of the role and responsibility of this board?**

---

Direct, protect, expand and steward the Bicycle trails of Napa County and their interplay with other surrounding communities

no

---

Have you ever attended a meeting of this board? If so, how many?

**What duties of this board are most interesting to you?**

---

open to serve

**What activities of this board are least interesting to you?**

---

open to serve



## ATTACHMENT 1

**What programs or projects would you like to see improved or implemented?**

---

Overall education of the relationship between traffic safety issues and public road usage

**How would you approach improving these project(s) or program(s)?**

---

Community outreach / school education programs / local Church outreach programs

**Are you involved in any organizations or activities that may result in a conflict of interest if you are appointed to this board?**

---

no

**Please list two local references and their phone numbers:**

---

[REDACTED]

**How did you learn of this vacancy?**

---

☒ Newspaper

# Jimmy Kawalek

Napa, CA • Mobile: 707.501.7447 • E-Mail [jimmy@jimmykawalek.com](mailto:jimmy@jimmykawalek.com)



## Relationship and Results Driven Sales & Marketing Leader

[www.jimmykawalek.com](http://www.jimmykawalek.com)

### Overview

I subscribe to a very hands-on approach in my sales and marketing philosophy. My focus is **customer-centric** while keeping the best interest of the represented company at the forefront. **Sales & Marketing plan development & execution; channel management (DTC, B2B), new brand development and management, distributor retention / management and corporate strategic planning** have all been part of my daily objectives. I am highly experienced in both **domestic** and **international** sales, marketing. I have a wealth of knowledge and hands-on experience in all facets of **sales, product marketing, marketing communications, new brand building, special event planning, promotion** and tradeshow design.

### Career Objective

Secure a lead Management role in a winery that allows me to fully use my highly diversified and creative sales and marketing talents to their fullest.

### Business Philosophy

At the end of the day, all the deep relationships I develop must drive brand development & revenue. For every brand I've worked with, I zero in to tell the supporting, relationship-building story that would otherwise never be heard. My in-depth knowledge of each of the brands I've represented conveys value, confidence and a "sense of place" that develops & grows long-term, profitable relationships.

### Core Competencies

**B2B, DTC Marketing and Sales / B2B2C Demand Generation / National, International & Regional Sales Management**  
**Long-term Relationship Builder / Brand Evangelist / Sommelier / Wine Educator**  
**Brand Development, Strategy and Launch / Skilled Social Networker / Targeted Events Planning, Promotion & Execution**

### Accomplishments

- 30+ years in DTC, B2B and B2B2C domestic sales & marketing, 8 years international (inclusive)
- 20+ years developing and leading highly focused Sales & Marketing Teams and programs
- Created and ran a successful start-up Wine Brokerage / Distribution, Marketing and Sommelier Services company
- Developed, marketed & launched highly successful "Taste of Divino", (DTC marketing & sales festivals) in Southern California encompassing 3 to 15 different brands (wineries) at multiple venues
- Developed, marketed and taught a 3 part "Wine 101" Education Program throughout Southern California
- Developed curriculum and taught "Street/Gorilla Marketing" Course at Learning Tree University for 2+ years
- Planned & executed turn-key wine sales & educational events for commercial & private clients
- Successfully established world-wide, long term relationships with Fortune 500 Companies
- Worked on global-stage projects including Disney, 3 NFL Superbowls, 3 Olympic Stadiums, various National Touring acts
- Successful, personable, brand-building Evangelist (DTC, B2B)
- Highly creative, independent, self motivating, flexible & resourceful

# Jimmy Kawalek



## Employment History

• 2014 - Present	jimmykawalek.com	Napa, CA	Winery Sale & Marketing Consulting
• 2013 - 2014	EDICT Wines	Napa, CA	Director of Sales and Marketing
• 2011 - 2012	Peju Winery	Rutherford, CA	Sales / House Sommelier / Educator
• 2005 - 2011	Divino Wine Broker, Inc.	Aliso Viejo, CA	Owner / Sommelier / Wine Educator
• 2004 - 2007	Digigram Inc.	Montbonnot FR	Global Business Development Manager
• 2001 - 2004	Cirrus Logic	Austin, TX	Sales / Business Dev. Manager, Peak Audio
• 2000 - 2001	Group One	Farmingdale, NY	Sales / Business Development Manager
• 1999 - 1999	Harman Pro Audio	Sandy, UT	Director of Sales and Marketing
• 1998 - 1999	Crest Audio, Inc.	Paramus, NJ	Western Regional Sales Manager
• 1996 - 1998	QSC Audio Products, Inc.	Costa Mesa, CA	Sales / Market Manager, Engineered Sound
• 1994 - 1996	Eastern Acoustic Works	Whitinsville, MA	Domestic Sales Manager
• 1985 - 1990	Marriott Hotels	Los Angeles, CA	Entertainment Manager

## Wine Education

- December 2011 Sonoma State University Wine Business Management Certificate
- May 2008 International Sommelier Guild Sommelier Diploma Program
- July 2007 International Sommelier Guild Fundamentals Level 2
- April 2007 International Sommelier Guild Fundamentals Level 1

## Professional Experience

**jimmykawalek.com** Napa, CA 2014 - Present

*Winery Sales and Marketing Consulting Firm*

**A Wine Business Consultancy specializing in Strategy, Distribution and Engagement for Luxury Wine brands.**

- National, Regional Sales Management / B2B sales / Brand Development / Distribution Channel Development / DTC Consulting / Social Media Maven

**EDICT Wines** Napa, CA 2013 - 2014

*Family owned Napa winery founded in 2008 by Barbara & Ira Goldberg*

### Director of Sales and Marketing

- Lead all sales and marketing operations for a 2000 (annual) case production winery
  - Inherited 2 years of inventory and zero sales
    - Successfully depleted back inventories and created profitable sales channels
- Developed all distribution (sales channels) and DTC programs
  - Established long term partnerships and brand recognition
- Developed all Marketing Assets and Collaterals
  - Created all messaging, backstory and branding
  - Responsible for all Marketing communications including traditional & Social Media



# Jimmy Kawalek

## Professional Experience

### EDICT Wines continued:

- Designed and implemented new website and Vin65 POS
  - Created website design and deployed within 60 days
  - First fully dynamic site done on Vin65 platform
- Hired new winemaker and redesigned wine production / offerings
  - Steered all blending, beginning with 2011 (red) vintages
  - Revamped all labeling and packing of wines
  - Secured long term vineyard contracts
- 

### Peju Winery

Rutherford, CA

2011 - 2013

*Family owned Napa winery founded in 1982 by Anthony and Herta Peju*

### DTC Sales / Tasting Room / Sommelier / Wine Educator

- Tasting Room sales / Staff, Distributor & Guest Educator / Spearheaded special Guest experiences / Reserve & Barrel Tasting Lead
  - Top sales performer of both Wine sales and Wine Club Memberships
- Featured guest speaker at Orlando Food & Wine Festival (Wine 101)
- Local Bay Area / Napa Outreach (Hospitality, Transportation)
- Outside sales with various Peju Distributors (National)

### Divino Wine Broker, Inc

Aliso Viejo, CA

2005 - 2011

*Divino Wine Broker, Inc. is a full service Sales and Marketing Wine Brokerage Company that specializes in marketing small-production California/ Oregon based wineries and wine accessory items.*

### Owner / Operator / Sommelier / Wine Educator

- Sales, Marketing & Brand Development of over 25 different, independent wineries and wine related accessories to both on and off premise retailers throughout the Orange County, Southern California market(s)
  - Grew revenue by 200% from FY07 to FY08
- Highly successful track record of launching “unknown” brands into challenging market conditions
- Conceived, developed and successfully launched “Taste of Divino” Wine Festival
  - 3 - 15 independent wineries (brands) brought together to market, promote and sell wine (DTC)
  - Multiple independent venue logistics
  - Conceived and executed all promotion, logistics and branding of the events
- Train & managed multiple independent sales teams (contractors)
- Developed & Taught Wine Education Programs thru various events and venues



Jimmy Kawalek

Napa Valley Community Leadership

President, Coombsville Vintners & Growers Association, 2014 - Present  
Napa Valley Vintners, 2015/16 Premier Napa Valley Bidder Cultivation Team Member

Education

- |   |   |
|---|---|
| • Sonoma State University                   | Winery Management Foundational Level / Compliance Courses |
| • International Sommelier Guild             | Completed Level 3 Advanced Degree program                 |
| • University of California, Los Angeles     | EMT-1A Certification program                              |
| • California State College, Dominguez Hills | Course work in Business & Music Theory                    |
| • De Anza Junior College, Cupertino CA      | General Business Education                                |



CITY OF NAPA CITY COUNCIL  
**AGENDA REPORT**

CONSENT CALENDAR  
AGENDA ITEM 5.C.  
Date: September 20, 2016

To: Honorable Mayor and Members of City Council

From: Dorothy Roberts, City Clerk

Prepared by: Tiffany Carranza, Office Assistant II

Subject: Appointments to the Board of the Housing Authority of the City of Napa

**ISSUE STATEMENT:**

Consider re-appointment of incumbents Johanna Moore and Carol Hamilton to fill the two tenant representative seats of the Board of Commissioners for the Housing Authority of the City of Napa.

**DISCUSSION:**

**COMPOSITION AND PURPOSE OF THE BOARD**

The Housing Authority Board is the Governing Body of the Housing Authority of the City of Napa, which provides rental assistance through Federal rental subsidy programs to very low-income families throughout Napa County, and develops affordable housing for low and moderate-income households.

The Board consists of seven members, including the five members of the City Council of the City of Napa, as well as two tenants appointed by the City Council to two year terms. Tenant representatives must be utilizing facilities providing rental subsidy programs. One tenant commissioner shall be over 62 years of age if the Authority has tenants over that age.

**NUMBER AND TIMING OF VACANCIES INCLUDING SPECIAL QUALIFICATIONS**

There are two term expirations effective September 30, 2016.

**RECRUITMENT PROCESS**

The City Clerk accepted applications for the Board from July 28, 2016 through August 26, 2016. Recruitment announcements were published on the City's website, posted at City facilities, forwarded to the Napa County Library, Napa Valley College, Napa Chamber of Commerce, Napa Valley Unified School District, the County of Napa, Napa County Hispanic Chamber of Commerce, and various non-profit agencies.

## **APPLICATIONS RECEIVED**

Two applications were received from incumbents Johanna Moore and Carol Hamilton.

## **SPECIAL NOTES**

Johanna Moore and Carol Hamilton are both applying for a fifth term. Johanna Moore is the tenant representative over 62 years of age.

## **FINANCIAL IMPACTS:**

None

## **CEQA:**

The City Clerk has determined that the recommended action described in this agenda report is not subject to CEQA, pursuant to CEQA Guidelines Section 15060(c).

## **DOCUMENTS ATTACHED:**

1. Attachment 1 – Housing Authority Board applications (two openings):
  1. Johanna Moore
  2. Carol Hamilton

## **NOTIFICATION:**

Applicants

## **RECOMMENDED ACTION:**

Staff recommends that the City Council move, second and approve each of the actions set forth below, in the form of the following motion. Move to:

Reappoint incumbents Johanna Moore and Carol Hamilton as tenant representatives to the Board of Commissioners for the Housing Authority of the City of Napa for terms effective October 1, 2016 and ending September 30, 2018.



---

## Profile

Johanna

First Name

Moore

Last Name

Middle Initial

Email Address

Street Address

City

Suite or Apt

State

Postal Code

## Mailing Address (if different than Resident Address above)

Primary Phone

Alternate Phone

20 yrs.

Length of Residence in the City of Napa:

20 yrs.

Length of Residence in the County of Napa:

## Registered to vote in the City of Napa?

☒ Yes ☐ No

Retired

Employer

Job Title

---

## Interests & Experiences

### Which Boards would you like to apply for?

Housing Authority of the City of Napa

---

Upload a Resume

**Community Service Experience:**

---

OLE Health Board Member 12 yrs. 2006 - 2016 Housing Authority of the City of Napa 10 yrs. 2008 - 2016

**Education:**

---

East High School Denver, CO. English, History. 1956 Metro State Denver, CO 2 yrs. English, History. 1964 -66

**Other relevant experience or expertise:**

---

Worked as a clerk in House of Representatives Denver, CO 1970 - 77

---

**Additional Questions**

**What is your understanding of the role and responsibility of this board?**

---

Attend monthly meetings with City/Council. Yearly meetings of Housing Authority

Yes, attend last 10  
yrs.

Have you ever attended a meeting of this board? If so,  
how many?

**What duties of this board are most interesting to you?**

---

Attending monthly meetings.

**What activities of this board are least interesting to you?**

---

N/C

## ATTACHMENT 1

**What programs or projects would you like to see improved or implemented?**

---

More housing in Napa County for Seniors & Low income Housing population.

**How would you approach improving these project(s) or program(s)?**

---

Apply for more HUD Grants & Private Sector to help build more housing in city of Napa & Napa County.

**Are you involved in any organizations or activities that may result in a conflict of interest if you are appointed to this board?**

---

No

**Please list two local references and their phone numbers:**

---

[REDACTED]

**How did you learn of this vacancy?**

---

☒ Other

---

## Profile

Carol

First Name

J.

Middle Initial

Hamilton

Last Name

[REDACTED]

Email Address

[REDACTED]

Street Address

[REDACTED]

City

[REDACTED]

Suite or Apt

[REDACTED]

State

[REDACTED]

Postal Code

## Mailing Address (if different than Resident Address above)

[REDACTED]

Primary Phone

[REDACTED]

Alternate Phone

20+  
years

Length of Residence in the City of Napa:

20+  
years

Length of Residence in the County of Napa:

## Registered to vote in the City of Napa?

☒ Yes ☐ No

Child Start Inc.

Employer

Enrollment Coordinator

Job Title

---

## Interests & Experiences

### Which Boards would you like to apply for?

Housing Authority of the City of Napa

---

Upload a Resume

**Community Service Experience:**

---

- Napa T-ball - 5 + years; volunteer annually on picture day - Church Elder - years - President Napa Foster Family Association - 4 years - Human/Sex Trafficking Task Force - 2 years - Foster & Kinship Care Education Advisory Board - 1 year

**Education:**

---

Graduated Armijo High - 1974 Napa Valley College - General Subjects Solano Community College - General Subjects

**Other relevant experience or expertise:**

---

I have served 4 terms on the Housing Board

---

**Additional Questions**

**What is your understanding of the role and responsibility of this board?**

---

to be informed and continually gain knowledge of all aspects of the Housing Authority, to attend meetings and to vote

Yes! 4 terms

---

Have you ever attended a meeting of this board? If so, how many?

**What duties of this board are most interesting to you?**

---

I really like learning all the different aspects of the Housing Authority and all it does to help Napa Residents.

**What activities of this board are least interesting to you?**

---

I enjoy all activities, really.

## ATTACHMENT 1

**What programs or projects would you like to see improved or implemented?**

---

Of course I would love to see more affordable housing Napa.

**How would you approach improving these project(s) or program(s)?**

---

I don't feel I could improve on what is already being done.

**Are you involved in any organizations or activities that may result in a conflict of interest if you are appointed to this board?**

---

no

**Please list two local references and their phone numbers:**

---

[REDACTED]

**How did you learn of this vacancy?**

---

☒ Other

CITY OF NAPA CITY COUNCIL  
**AGENDA REPORT**

CONSENT CALENDAR  
AGENDA ITEM 5.D.  
Date: September 20, 2016

To: Honorable Mayor and Members of City Council

From: Dorothy Roberts, City Clerk

Prepared by: Tiffany Carranza, Office Assistant II

Subject: Appointments to the City of Napa Tree Advisory Commission

**ISSUE STATEMENT:**

Appoint incumbents Chris Sauer and Seth Pare-Mayer to the Tree Advisory Commission.

**DISCUSSION:**

**COMPOSITION AND PURPOSE OF THE BOARD**

The Tree Advisory Commission is governed by Chapter 2.80 of the City of Napa Municipal Code, and is advisory to the City Council on issues involving trees, including City street trees and Significant Trees in the community. The Commission may also serve as an appeals board. The Commission considers removal of City street trees, reviews City tree ordinances, policies, and programs annually, nominates designations of Significant Trees, and determines replacement options for Significant Trees removed or damaged.

The commission consists of five members. No less than three of the members must be full time residents and registered voters of the City of Napa; no more than two members may be Napa County residents. Qualifications include training or experience in the fields of arboriculture, or horticulture, and urban planning.

**NUMBER AND TIMING OF VACANCIES INCLUDING SPECIAL QUALIFICATIONS**

There are two term expirations effective September 30, 2016; one of which is a designated "City Resident."

**RECRUITMENT PROCESS**

The City Clerk accepted applications for the Commission from July 28, 2016 through August 26, 2016. Recruitment announcements were published on the City's website, posted at City facilities, forwarded to the Napa County Library, Napa Valley College,

Napa Chamber of Commerce, Napa Valley Unified School District, the County of Napa, Napa County Hispanic Chamber of Commerce, and various non-profit agencies.

#### **APPLICATIONS RECEIVED**

Two applications were received: Chris Sauer, applying for a fourth term, and Seth Pare-Mayer, applying for a second term.

#### **FINANCIAL IMPACTS:**

None

#### **CEQA:**

The City Clerk has determined that the recommended action described in this agenda report is not subject to CEQA, pursuant to CEQA Guidelines Section 15060(c).

#### **DOCUMENTS ATTACHED:**

1. Attachment 1 – Tree Advisory Commission (two openings):
  1. Chris Sauer
  2. Seth Pare-Mayer

#### **NOTIFICATION:**

Applicants

#### **RECOMMENDED ACTION:**

Staff recommends that the City Council move, second and approve each of the actions set forth below, in the form of the following motion. Move to:

Reappoint incumbent Chris Sauer as “City resident” and incumbent Seth Pare-Mayer to the Tree Advisory Commission for terms effective October 1, 2016 and ending September 30, 2019.



---

## Profile

Chris

First Name

Sauer

Last Name

Middle Initial

Email Address

Street Address

City

Suite or Apt

State

Postal Code

## Mailing Address (if different than Resident Address above)

Primary Phone

Alternate Phone

38  
years

Length of Residence in the City of Napa:

38  
years

Length of Residence in the County of Napa:

## Registered to vote in the City of Napa?

☒ Yes ☐ No

self  
employed

Employer

underappreciated by employer  
(myself)

Job Title

---

## Interests & Experiences

### Which Boards would you like to apply for?

Tree Advisory Commission

---

Upload a Resume

### Community Service Experience:

---

City of Napa Tree Commission Sierra Club Board RCD Acorns to Oaks Peace Corps Western Samoa

### Education:

---

San Diego State University/English Degree Secondary Teaching Credential Multiple Horticultural Classes,  
Napa Community College

### Other relevant experience or expertise:

---

Started and Managed California Conservation Corps' Napa Native Plant Nursery, 30 Years Managed the  
California Conservation Corps' North Bay Satellite Center, 25 Years Worked as Environmental  
Restoration contractor with the Napa County Flood District, 10 years

---

## Additional Questions

### What is your understanding of the role and responsibility of this board?

---

I have been a Tree Board Commissioner for several decades serving as the Chair for 3 Terms, so have developed a fair understanding of the responsibilities handed the Board. My current term is expiring and I am willing to continue on unless there is another qualified individual who is willing and anxious to serve.

Many  
multitudes.

---

Have you ever attended a meeting of this board? If so,  
how many?

### What duties of this board are most interesting to you?

---

The opportunity to creatively think of ways in which problem, large trees can be saved to live another day rather than meet the fate of the chainsaw and be replaced by smaller, less impactful brethren.

**What activities of this board are least interesting to you?**

---

Though they are a necessary evil, I don't relish the Board Meetings.

**What programs or projects would you like to see improved or implemented?**

---

The Significant Tree Program where special, rare, large, historical, spiritually important trees can be nominated by their property owners, added to this special list and protected in perpetuity. Involve the community in more tree planting projects on City property, parks, etc.

**How would you approach improving these project(s) or program(s)?**

---

I would encourage the Register to feature a Significant tree in a monthly article. Encourage more connection with local Environmental Resource Groups such as RCD.

**Are you involved in any organizations or activities that may result in a conflict of interest if you are appointed to this board?**

---

No

**Please list two local references and their phone numbers:**

---

[REDACTED]

**How did you learn of this vacancy?**

---

☒ Other

---

## Profile

Seth

First Name

Pare-Mayer

Last Name

Middle Initial

Email Address

Street Address

City

Suite or Apt

State

Postal Code

## Mailing Address (if different than Resident Address above)

Primary Phone

Alternate Phone

4.5 years this time, 20+ years  
total

Length of Residence in the City of Napa:

same as above

Length of Residence in the County of Napa:

## Registered to vote in the City of Napa?

☒ Yes ☐ No

self  
employed

Employer

Architectural Designer

Job Title

---

## Interests & Experiences

### Which Boards would you like to apply for?

Tree Advisory Commission

---

Upload a Resume

**Community Service Experience:**

---

Napa Tree Advisory Commission 2013-2016

**Education:**

---

Cal Poly San Luis Obispo, BArch 2006

**Other relevant experience or expertise:**

---

Tree Lover, Design Lover, Willing Participant

---

**Additional Questions**

**What is your understanding of the role and responsibility of this board?**

---

Roles of this board range from hearing information from Parks & Rec, Public Works, PG&E, listening to public comment and requests, to instigating the review and refinement of tree related policies, ordinances, etc.

3 years running as a  
member...

---

Have you ever attended a meeting of this board? If so,  
how many?

**What duties of this board are most interesting to you?**

---

Anything I can do to help preserve existing trees and to plant new trees.

**What activities of this board are least interesting to you?**

---

All the activities I have encountered for the last 3 years are of equal importance, and thus are of equal interest to me.

## ATTACHMENT 1

### What programs or projects would you like to see improved or implemented?

---

I recently took part in a sub-committee which reviewed and refined the tree related ordinances with an eye to help protect significant trees. These are being reviewed by different city departments. I would like to see this completed so we can focus on planting more trees again.

### How would you approach improving these project(s) or program(s)?

---

I try to introduce ideas to the committee, Parks & Rec., and the public that I feel need some investigation. In addition to suggesting means of pursuing this idea, I like to hear other's ideas on approaches. I typically then volunteer for the sub-committee to do the necessary legwork to bring the information back to the T.A.C. for consideration.

### Are you involved in any organizations or activities that may result in a conflict of interest if you are appointed to this board?

---

None that I am aware of.

### Please list two local references and their phone numbers:

---

[REDACTED]

### How did you learn of this vacancy?

---

☒ Other

CITY OF NAPA CITY COUNCIL  
**AGENDA REPORT**

CONSENT CALENDAR  
AGENDA ITEM 5.E.  
Date: September 20, 2016

To: Honorable Mayor and Members of City Council

From: Rick Tooker, Community Development Director

Prepared by: Robin Klingbeil, Senior Project Coordinator

Subject: Resolution Scheduling Hearing to Modify the Boundary, Revenue Purpose, and Name of Parking and Business Improvement Area 1, Benefit Zone 1 (2005)

**ISSUE STATEMENT:**

Adopt a Resolution of Intention to Modify the Parking and Business Improvement Area 1, Benefit Zone 1 (2005), by: (1) Renaming the area the “Downtown Parking Assessment Area”, (2) Amending the Boundaries to add six new parcels, (3) Amending Allowable Uses of Assessment Revenue to Include Parking Maintenance, (4) Fixing the Time and Place of a Public Meeting and Public Hearing Thereon, and Giving Notice Thereof; and 5) Determining that these actions are not subject to CEQA.

**DISCUSSION:**

**Background:**

In the early 1970s, the City Council created Parking and Business Improvement Area 1 with two benefit zones that generate a tax on business licenses in the downtown area -- Benefit Zone 1 for parking and Benefit Zone 2 for promotions. (Also in the 1970s, the Council established parking exempt zoning, which since has evolved to include a defined boundary that is contiguous with the parking benefit zone.) In January 2005, Council added 28 parcels to the parking benefit zone, but the law under which the 2005 zone was created resulted in an assessment on the business license rather than a tax. The two zones, while very similar in purpose, are subject to different regulations and thus are distinctly separate for revenue tracking and reporting purposes. The map provided as Exhibit “A” to the attached resolution illustrates the benefit zones, with the red boundary representing the original parking benefit zone (tax area), and the blue shaded parcels with the solid blue boundary depicting the 2005 parking assessment area. The six blue-shaded parcels with the dashed outline, located on Main Street north of Clinton Street, are recommended for inclusion in the parking assessment area, further discussed below.

In 2005 when Council created the parking assessment area, it concurrently amended the Parking Exempt Overlay District (“PE District”) to include the same 28 parcels, and established the Parking Impact Fee which is charged on non-residential development to

help pay for public parking facilities in the PE District. These actions were implementation measures of the Downtown Mixed Use Development Strategy (adopted 2004), with the intent of encouraging residential mixed-use development by eliminating the on-site parking requirement for the non-residential development, while securing revenue to design and construct future parking facilities to serve development and businesses.

#### Boundary Amendment:

As an implementation measure of the adopted Downtown Specific Plan (2012) and Downtown Parking Management Plan (2015), the Council adopted an ordinance to amend the PE Overlay Zoning District to include the six parcels on Main Street (Ordinance O2016-10, adopted August 16, 2016), which became effective on September 16, 2016. Now that these parcels have been included in the PE District, bringing them within the boundaries of the corresponding PBIA and parking benefit zone would generate assessment revenue from the businesses located on those parcels to offset the City's costs of providing public parking. If approved, the boundaries of the PBIA would be consistent with the boundaries of the PE District, which would further the similar intents of the underlying Downtown Core Commercial zoning and the PE District – to promote a pedestrian oriented downtown by consolidating public parking that serves the area – and revenue necessary to do so.

Attachment 2 is a table listing all of the parcels in the current PBIA, Zone 1 (2005) and the six parcels proposed for inclusion, and includes the property owner and business names where applicable. Properties with a residential use would not be subject to the assessment.

#### Revenue Purpose:

Assessment revenue is collected with business license fees. As described above, its use is restricted for acquisition of future parking site/facilities, and design and construction of public parking. The tax revenue generated by the 1972 benefit zone has these same purposes with one additional allowable use: parking facility and site maintenance. Staff would like to modify the allowable purpose of the assessment revenue to include parking maintenance so the parking benefit zones operate identically for the benefit of the payers and for ease of administration.

#### Name Change:

The name "Downtown Parking & Business Area 1, Zone 1 (2005)" is overly complicated; renaming it "Downtown Parking Assessment Area" will continue to distinguish it from the Parking and Business Improvement Area 1, Zone 1, approved in 1972, and simplify the name and convey its meaning effectively.

#### Conclusion:

In accordance with CA Streets and Highways Code, Section 36530, businesses in this area are represented by an Advisory Board, which has been designated by Council as the Board of the Napa Downtown Association (NDA). As permitted under Section



36540, the Advisory Board may recommend modifications to the PBIA, including changes to the boundaries and usage of revenue. For this matter, the NDA has submitted a letter to the City (Attachment 3) in support of the expansion of the PBIA and parking benefit zone boundaries to include the described six parcels, renaming of the parking assessment benefit zone, and modifying the allowable use of assessment revenue.

Upon adoption of the Resolution of Intention, notices will be sent to the business owners located in the parking assessment benefit zone and the six parcels proposed to be added (all blue shaded parcels on Exhibit "A" to the resolution). A public hearing will be scheduled for November 1, 2016, to consider adoption of an Ordinance and related amendments to the Municipal Code and to hear any protests from the business owners subject to the action, with a second reading tentatively scheduled for November 15, 2016.

### **FINANCIAL IMPACTS:**

Businesses in the PBIA, Zone 1 and Zone 1 (2005) pay a surcharge equal to 70% of their business license fee, which is based upon gross receipts (see Exhibit B to the Resolution). Thirty-three businesses in the PBIA 1, Zone 1 (2005) currently pay this in the form of an assessment, which is dedicated to purchase of sites for parking, or for design and construction of parking, and amounts to approximately \$25,000 per year. With the proposed addition of the six parcels on Main Street, five new businesses (plus any new businesses opening in the future) would be subject to the 70% assessment, which would result in a modest increase in assessment revenue.

### **CEQA:**

The Community Development Director has determined that the Recommended Action described in this Agenda Report is not subject to CEQA, pursuant to CEQA Guidelines Section 15060(c).

### **DOCUMENTS ATTACHED:**

1. Attachment 1: Resolution of Intention, with Exhibits A (Map) and B (Rates)
2. Attachment 2: Table of Parcels, Property Owners and Businesses in Existing and Proposed Parking Assessment Area
3. Attachment 3: Letter of Recommendation from PBIA Advisory Board

### **NOTIFICATION:**

The Advisory Board of the Property and Business Improvement Area 1, Benefit Zone 1 (2005) has been notified of this agenda item, and an agenda has been posted in publicly accessible locations as required by law.

**RECOMMENDED ACTION:**

Staff recommends that the City Council move, second and approve each of the actions set forth below, in the form of the following motion. Move to:

Adopt a Resolution of Intention to Modify the Parking and Business Improvement Area 1, Benefit Zone 1 (2005), by: (1) Renaming the area the "Downtown Parking Assessment Area", (2) Amending the Boundaries to add six new parcels, (3) Amending Allowable Uses of Assessment Revenue to Include Parking Maintenance, and (4) Fixing the Time and Place of a Public Meeting and Public Hearing Thereon, and Giving Notice Thereof.

RESOLUTION R2016-\_\_

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF NAPA DECLARING ITS INTENTION TO MODIFY THE PARKING AND BUSINESS IMPROVEMENT AREA NO. 1, BENEFIT ZONE 1 (2005), BY: (1) RENAMING THE AREA THE "DOWNTOWN PARKING ASSESSMENT AREA", (2) AMENDING THE BOUNDARIES TO ADD SIX NEW PARCELS, (3) AMENDING ALLOWABLE USES OF ASSESSMENT REVENUE TO INCLUDE PARKING MAINTENANCE, AND (4) FIXING THE TIME AND PLACE OF A PUBLIC MEETING AND PUBLIC HEARING THEREON, AND GIVING NOTICE THEREOF

WHEREAS, on January 4, 2005, the City adopted ordinance O2005-1 which established Parking and Business Improvement Area No. 1, Benefit Zone 1 (2005) ("2005 PBIA"), pursuant to the Parking and Business Improvement Area Law of 1989 (California Streets and Highways Code Sections 36500, *et seq.*), as codified in Napa Municipal Code Chapter 3.30; and

WHEREAS, pursuant to Streets and Highways Code Section 36530, the City Council has appointed the Napa Downtown Association to serve as the Advisory Board to the 2005 PBIA; and

WHEREAS, Streets and Highways Code Section 36540, authorizes the 2005 PBIA advisory board to recommend the City make modifications to the 2005 PBIA; and WHEREAS, the City received a recommendation from the 2005 PBIA advisory board recommending the modifications to the 2005 PBIA as set forth in this resolution; and

WHEREAS, Streets and Highways Code Section 36541, establishes the procedure to modify the 2005 PBIA which includes adopting a Resolution of Intention, providing notice to affected business owners, holding a public meeting, holding a public hearing, and adopting an ordinance modifying the 2005 PBIA.

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

1. The recitals set forth herein are true and correct.
2. The City Council declares its intention to modify the 2005 PBIA, and establish the "Downtown Parking Assessment Area", as described in this resolution, pursuant to the Parking and Business Improvement Area Law of 1989, Streets and Highways Code Section 36500 *et seq.*, particularly Section 36541.

## ATTACHMENT 1

3. The new name of the area shall be the Downtown Parking Assessment Area ("DPAA"). As referenced throughout this resolution, the phrase "DPAA" shall mean the 2005 PBIA as proposed to be modified as described in this resolution. Upon City Council's approval of the establishment of the DPAA, as described in this resolution, the DPAA shall supersede and replace the 2005 PBIA.

4. The boundaries of the territory proposed to be included in the DPAA generally include all property in the 2005 PBIA as well as the addition of six parcels (APNs 003-136-002, -003, -010, 003-142-001, -013, -014), as shown on the "Downtown Parking Assessment Area Boundary" map attached hereto as Exhibit A, and incorporated herein by reference.

5. The City Council declares its intention to levy and collect assessments within the DPAA boundary. The assessment is proposed to be levied on all businesses, existing and in the future, within the DPAA. The DPAA assessment shall be seventy percent (70%) of the existing business license tax to be imposed on each business in the DPAA under Chapter 5.04 of the Napa Municipal Code; and the calculation of the DPAA assessment rates are set forth on Exhibit B, attached hereto and incorporated herein by reference. Assessment rates shall not increase due to an increase in the City's business license fees unless the procedures to increase the assessment pursuant to the Parking and Business Improvement Area Law of 1989 are satisfied. Except where funds are otherwise available, an assessment will be levied annually to pay for the improvements and activities within the DPAA. New businesses within the DPAA boundaries will not be exempt from the levy of assessment as authorized by Streets and Highways Code Section 36531.

6. The total DPAA assessment collected in year one is estimated to be \$28,000.00. Revenues collected from said assessment shall be used for the acquisition, design, construction, and maintenance of parking facilities and sites for the benefit of the businesses within the DPAA. Funds remaining at the end of any DPAA term may be used in subsequent years in which DPAA assessments are levied as long as they are used consistent with the requirements of this Resolution.

7. The DPAA assessment will be collected for each calendar year at the same time and in the same manner as the collection of the business license taxes for each business in the DPAA.

8. The City Council hereby appoints the Napa Downtown Association Board of Directors to serve as the advisory board of the DPAA.

9. The DPAA advisory board shall submit an annual report, which shall include a budget for operations and activities to be undertaken by the DPAA for the ensuing calendar year, to the City Council pursuant to Streets and Highways Code Section 36533.

## ATTACHMENT 1

10. The time and place for a public meeting for comments on the modified 2005 PBIA, and the levy of assessments under the DPAA, are set for 3:30 PM on November 1, 2016 at City Hall Council Chambers, 955 School Street, Napa, CA 94559.

11. The time and place for the public hearing to modify the 2005 PBIA, and levy assessments under the DPAA, are set for 3:30 PM on November 15, 2016 at City Hall Council Chambers, 955 School Street, Napa, CA 94559.

12. At the public meeting and public hearing the testimony of all interested persons for or against modifying the 2005 PBIA, and establishing the DPAA, will be heard.

13. A protest against modifying the 2005 PBIA, as provided in Streets and Highways Code Section 36524, may be made orally or in writing. To count in a protest against the modification of the 2005 PBIA, a protest must be made in writing. A written protest may be withdrawn, in writing, at any time before the conclusion of the public hearing. Each written protest shall contain a description of the business in which the person signing the protest is interested, sufficient to identify the business and its address. If the person signing the protest is not shown on the official records of the City of Napa as the owner of the business, then the protest shall contain or be accompanied by written evidence that the person is the owner of the business, or the authorized representative. Any protest as to the regularity or evidence of the proceedings shall be in writing and clearly state the irregularity or defect to which objection is made. Written protests must be received by the Clerk of the City of Napa before the close of the public hearing scheduled herein, and may be delivered to the City Clerk at 955 School Street, Napa, CA 94559 or mailed to the City Clerk at P.O. Box 660, Napa, CA 94559.

14. If, at the conclusion of the public hearing, there are of record written protests by the owners of businesses within the DPAA boundary that will collectively pay fifty percent (50%) or more of the DPAA assessment, no further proceedings to modify the 2005 PBIA shall occur for a period of one year from the date of the finding of a majority protest. If the majority of written protest is only as to a proposed improvement or activity, then that type of improvement or activity shall not be included in the DPAA.

15. Further information regarding the DPAA may be obtained from the City Clerk, at 955 School Street, Napa, CA 94559.

16. The City Clerk is instructed to provide notice of the public meeting and public hearing as follows:

a. Publish this Resolution of Intention in a newspaper of general circulation in the City of Napa at least seven days before the hearing; and

## ATTACHMENT 1

b. Mail a complete copy of this Resolution of Intention to each and every business owner proposed to be included in the DPAA boundary on or before September 21, 2016.

17. This resolution shall take effect immediately upon its adoption, and the City Clerk shall certify the vote adopting this resolution.

I HEREBY CERTIFY that the foregoing Resolution was duly adopted by the City Council of the City of Napa at a public meeting of said City Council held on the 20<sup>th</sup> day of September, 2016, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST: \_\_\_\_\_  
Dorothy Roberts  
City Clerk

Approved as to form:

\_\_\_\_\_  
Michael W. Barrett  
City Attorney

**EXHIBIT A**  
**Downtown Parking Assessment Area Boundary**





## EXHIBIT B

## Downtown Parking Assessment Area Assessment Rates

Business Type	Assessment Rate
Gross Receipt Quarterly Business Assessments	
Gross Receipt Quarterly – Retail	\$0.70 per \$1,000 of gross receipts
Gross Receipt Quarterly – Wholesale	\$0.35 per \$1,000 of gross receipts
Gross Receipt Quarterly – Retail & Wholesale	\$0.70 per \$1,000 of retail gross receipts and \$0.35 per \$1,000 of wholesale gross receipts
Licensed Building Contractors	\$0.70 per \$1,000 of the construction value
Business with annual gross receipts less than \$25k	\$14.00
Gross Receipt Annual Business Assessments	
Gross Receipt Annual \$0-\$49,999	\$17.50
Gross Receipt Annual \$50,000-\$149,999	\$35.00
Gross Receipt Annual \$150,000-\$249,999	\$52.50
Gross Receipt Annual \$250,000-\$499,999	\$77.00
Gross Receipt Annual \$500,000-\$999,999	\$115.50
Gross Receipt Annual \$1,000,000-\$1,499,999	\$175.00
Each additional 100,000 or portion thereof	\$7.00
Fixed Assessments	
Auctioneer – No Fixed Place of Business	\$17.50 per day or \$140.00 per year
Automobile Trailer/Mobile Home Courts	\$3.50 per permanent overnight space per year
Bingo Games	\$17.50 per year
Cabaret	\$17.50 per day or \$70.00 per year
Card Rooms	\$350.00 per year per table
Christmas Tree Lot	\$17.50 per year
Carnival	\$105.00 per day
Circus	\$105.00 per day
Closing Out Sale	\$70.00—30 days \$140.00—60 days \$210.00—90 days

## ATTACHMENT 1

Commercial Filming	\$350.00 per day
Craft Fairs and Shows	\$3.50 per day per stand
Dance	\$35.00 per day
Directory Sales	\$70.00 per year
Farmers' Market	\$140.00 per year
Handbill Distributors	\$7.00 per day per person or \$70.00 per year per person
Klieg Lights	\$14.00 per day
Mobile Home/Trailer	\$7.00 per month
Peddler/Solicitor/Canvasser	\$7.00 per day or \$35.00 per month
Photographer – Itinerant	\$70.00 per month
Public Entertainment	\$17.50 per day
(Class A) Recreation Contractor	\$3.50 per year
Tent or Caravan Show	\$105.00 per day
Ice Cream	\$105.00 per calendar year, per cart, stand, vehicle, etc.
Itinerant	\$17.50 per day
Vending Machines charging \$0.49-\$1.99	\$21.00 per year per machine
Vending Machines charging \$2.00+	\$42.00 per year per machine
Vendor: Moveable Stand	\$21.00 per month, or \$105.00 per year, per stand, cart, vehicle, etc.
Video Games/Mechanical Amusement Devices	\$21.00 per year per machine
Wrestling/Boxing Exhibitions	\$70.00 per exhibition

DOWNTOWN PARKING ASSESSMENT AREA PARCELS & BUSINESSES				
No.	PARCEL NUMBER	OWNER	STREET ADDRESS	CURRENT USE  BUSINESS NAME
1	003 144 009 000	Napa Sanitation District	1210 West Street	Napa Skate Park / NSD Pump Station
2	003 147 001 000	Blair	845 Clinton Street	Residence
3	003 147 006 000	Ceriani Trust	1214 Yajome Street	Residence
4	003 147 007 000	Ceriani Trust	1216 Yajome Street	Residence
5	003 147 008 000	Preciado	1234 Yajome Street	Residence
6	003 147 009 000	Leija	1236 Yajome Street	Residence
7	003 191 004 000	City of Napa Housing Authority	1115 Seminary Street	Housing Authority / City Recycling & Waste Division
8	003 195 001 000	City of Napa Housing Authority	1600 1st Street	City Community Services Building & Parking Lot
9	003 196 005 000	Christiana Trust ARLP Trust	1607 1st Street	Residence
10	003 197 001 000	A. H. Smith Co	1461 Polk Street	Residence
11	003 197 002 000	A. H. Smith Co	1455 Polk Street	Vacant
12	003 197 003 000	William Pacific International Valley	1431 Polk Street	Private Parking Lot for WestAmerica / Prudential
13	003 197 004 000	William Pacific International Valley	1427 Polk Street	Private Parking Lot for WestAmerica / Prudential
14	003 197 010 000	Skivington	1514 Clay Street	Duplex
15	003 197 011 000	A. H. Smith Co	1526 Clay Street	Vacant Residential Structure
16	003 197 012 000	A. H. Smith Co	1584 Clay Street	Insurance Office
17	003 197 013 000	A. H. Smith Co	1120 Seminary Street	Vacant Lot
18	003 275 003 000	Napa Mill Development Company	1091 Fifth Street	Napa Mill Parking Lot; Former Spa Building
19	003 275 004 000	Napa Mill LLC	700 Brown Street	Napa Mill Embarcadero Hotel Building
20	003 276 008 000	NC Flood Cntl & Water Cons Dst.	No site address	Riverfront Promenade
21	003 277 002 000	Napa Mill LLC	500 Main Street	Napa River Inn
			500 Main Street	Vintage Sweet Shoppe
			500 Main Street #G	Celdadon
			520 Main Street	Sweetie Pie's
			520 Main Street	Sweetie Pie's
			500 Main Street	Napa Mill offices
			500 Main Street	Amelia's Gifts
			500 Main Street	Hatt Market LLC
22	003 277 003 000	Hatt Market LLC	500 Main Street # E	Silo's Jazz Club
23	003 277 006 000	Napa Mill LLC	540 Main Street	Angele Restaurant
			540 Main Street #100	Napa General Store
24	003 277 008 000	Napa Mill LLC	500 Main Street	Napa River Inn Promenade Suites / Riverbend Plaza
25	003 320 003 000	Napa Riverfront LLC	710 Main Street	Marie Lyall Shoes
			720 Main Street	The Pear Southern Bistro
			730 Main Street	Cake Plate
			750 Main Street	Vacant, former Thomas Bartlett
			760 Main Street	Sidestreet Cigar, LLC
			770 Main Street	Danielle Women's Clothing
			790 Main Street	Basalt Restaurant (former Fish Story "29831" )
26	003 320 005 000	Napa Riverfront LLC	600 Main Street	Napa Valley Welcome Center
			606 Main Street	Ivy Twig & Twine Store
			610 Main Street	Morimoto Restaurant
			614 Main Street	Scott Lyall Men's Store
			650 Main Street	Helen Lyall Women's Store
			660 Main Street	The Corner Napa
			670 Main Street	Fрати Gelato store
			680 Main Street	Napa River Velo

DOWNTOWN PARKING ASSESSMENT AREA PARCELS & BUSINESSES				
No.	PARCEL NUMBER	OWNER	STREET ADDRESS	CURRENT USE  BUSINESS NAME
27	003 320 006 000	Napa Riverfront LLC	588 Main Street	Riverfront Residences
28	003 320 008 000	Napa Riverfront LLC	700 Main Street	Morgan Stanley Smith Barney LLC
29	003 320 013 000	Napa Riverfront LLC	700 Main Street	Merrill Lynch Pierce Fenner & Smith
		Napa Riverfront LLC	700 Main Street Suite 300	Michael Rupprecht Law
		Napa Riverfront LLC	700 Main Street Suite 305	Vintage Wealth Advisors
30	003 340 008 000	Vitug	588 Main Street # 206	Residence / Home Occupation
31	003 340 015 000	Samansky	588 Main Street #224	Residence / Home Occupation
32	003 340 039 000	Lovallo & Lynch	588 Main Street #301	Residence / Home Occupation
33	003 340 029 000	Schmeider	588 Main Street #311	Residence / Home Occupation
34	003 340 049 000	Ford	588 Main Street #316	Residence / Home Occupation
35	006 133 002 000	West Pueblo Partners	920 / 930 3rd Street	Stone Brewing / Under Construction
6 PARCELS PROPOSED FOR ADDING TO DOWNTOWN PARKING ASSESSMENT AREA				
36	003 136 002 000	Drivon	1343 Main Street	Toy B Ville Toy Store
			1001 Caymus Street	Copyfox
			1005 Caymus Street	Vacant Space
			1009 Caymus Street	Design This! Graphics Studio
37	003 136 003 000	Jadi LLC	1327 Main Street	Vacant Building
38	003 136 010 000	Al Jabarin Enterprises LLC	1313 Main Street	1313 Main / Lulu's Kitchen
39	003 142 001 000	Shackford	1350 Main Street	Shackford's Kitchen Store
40	003 142 013 000	1300 Main	1300 Main Street	Parking/ Mixed Use Project pending
41	003 142 014 000	Drapinski	1326 Main Street	Vacant Building

September 14, 2016

Honorable Mayor Jill Techel and Councilmembers  
City of Napa  
955 School Street  
Napa, CA 94559

Re: Modifications to Parking and Business Improvement Area No. 1, Benefit Zone 1 (2005)

Honorable Mayor Techel and Councilmembers:

As the Advisory Board for the Parking and Business Improvement Area No. 1, Benefit Zone 1 (2005) ("Area"), the Napa Downtown Association hereby recommends City Council modify the Area 1) to expand its boundaries; 2) allow for the uses of assessment revenue to include maintenance and upkeep of the public parking lots and structures in Downtown Napa; and 3) to rename the area "Downtown Parking Assessment Area."

Specific to expansion, we recommend that the Area's boundary be modified to include all businesses on six additional parcels: APNs

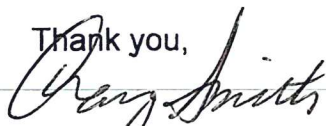
- 003-136-002-000 1343 Main Street
- 003-136-003-000 1327 Main Street
- 003-136-010-000 1313 Main Street
- 003-142-001-000 1350 Main Street
- 003-142-013-000 1300 Main Street
- 003-142-014-000 1326 Main Street

We believe that businesses within this area will benefit from the Area's improvements and activities and in the opinion of the advisory board should be included in the Area. The parcels proposed for inclusion in this Area are illustrated on the attached map.

The recommendations above described were approved by the advisory board at the September 13, 2016 board meeting.

We ask that you consider this item at your September 20, 2016 meeting. If you have any questions or comments please contact me at (707) 257-0322.

Thank you,

A handwritten signature in black ink, appearing to read "Craig Smith", is written over a horizontal line.

Craig Smith  
Executive Director



CITY OF NAPA CITY COUNCIL  
**AGENDA REPORT**

CONSENT CALENDAR  
AGENDA ITEM 5.F.  
Date: September 20, 2016

To: Honorable Mayor and Members of City Council

From: Rick Tooker, Community Development Director

Prepared by: Jennifer La Liberte, Economic Development Manager

Subject: Agreement for Services with FME Architecture + Design to Prepare a Master Plan for the CineDome Focus Area

**ISSUE STATEMENT:**

Authorize the City Manager to execute an agreement with FME Architecture + Design in an amount not to exceed \$211,500 to prepare a master plan for the CineDome Focus Area.

**DISCUSSION:**

The City is prepared to begin the master plan effort for the CineDome Focus Area, defined by the Downtown Specific Plan (DSP) as a 5.4-acre site comprised of the former CineDome theater property owned by SyWest Development; the former pump station property owned by Napa Sanitation District (NSD); and surrounding City-owned property that includes surface parking lots X and X-west, and right-of-way (West Street, Clay Street and Edmonston Street). The DSP describes the CineDome Focus Area goals for mixed land uses; improved bicycle and pedestrian connections; access and visual connections to Oxbow Commons and Napa Creek; appropriate and sensitive building massing; and open space to encourage activity through and around the future development. The master plan will build on the DSP goals and provide a more detailed future development plan that establishes the types, intensity, scale and location of future development; project phasing; infrastructure needs including public and private parking; circulation and access; pedestrian linkages to Oxbow Commons and other key nodes; streetscape; and open space. The intent is to establish an overall synergistic approach to the development of these properties while still allowing for independently phased construction and implementation. Each property, once completed, will add to and reinforce the development potential of the other.

Given the importance of the site and the fact that the City owns a significant portion of the property in the Focus Area, it follows that the City should lead the master planning effort to ensure thoughtful planning that is responsive to the DSP goals, effective stakeholder and community outreach, and timely deliverables. Through a Request for Proposals process, staff worked with representatives from SyWest Development to evaluate seven proposals from qualified architecture and planning firms. Each proposer assembled multi-disciplinary teams to address the multiple desired components of the

master plan including landscape design, parking and circulation, civil engineering and hydrology, public art, and environmental review. Proposal fees ranged from \$200,000 to \$435,000, depending on the scope. The three top firms were interviewed and FME Architecture + Design and its team was identified as the best qualified for the master planning effort based on the team's expertise and proposed scope of work and budget. FME's sub-consultants include Smith & Smith (landscape architecture); Langan (civil engineering); Watry Design (parking design); First Carbon Solutions and W-Trans (environmental); and Laura Grigsby (public art consultant).

The proposed scope of work would include the following six phases and deliverables:

**Phase 1: Project Kick-Off and Site Visit** – The FME team will review and evaluate City-provided materials including the DSP and the environmental impact report (EIR); survey drawings; and Flood Protection Project plans. It will conduct a kick-off meeting and site walk with the City team, and prepare a follow-up memorandum to memorialize the background review and discussion at the kick-off.

**Phase 2: Conceptual Site Design Studies** – With input from the City team, the consultant team will develop an iterative series of site planning studies and programmatic diagrams to flesh out strategic vision options for the focus area, which will result in three colored conceptual site planning diagrams; associated area and parking calculations for each diagram; notes outlining public/private project components, phasing of work, property line adjustments required for each diagram; a public art preliminary concepts report; and 3-D dimensional massing studies for two site plans.

**Phase 3: Parking Alternatives** – The teams will work together to consider and develop alternative parking strategies, both physical and operational, to accommodate the public need and parking demand generated by Focus Area development. Parking strategy plans, diagrams, calculations and relative costs will be provided.

**Phase 4: Public Outreach** – Based on the work completed in phases 2 and 3, the consultant team will prepare digital materials for presentation to various audiences. Staff will solicit input from key stakeholders, including property owners within and adjacent to the Focus Area. The proposed scope includes one community workshop and two public meetings (Planning Commission and City Council). Input received at these and stakeholder meetings will guide the master plan to a preferred scenario.

**Phase 5: Draft Master Plan and Environmental Analysis** – Based on the preferred scenario, the consultant team will create a draft master plan and environmental analysis for review and comment by the City team and other interested stakeholders. The document will include a land use diagram; design guidelines for buildings; urban design guidelines for streets, walkways and open space; standards for lighting, railings, furnishings, etc.; and public art recommendations throughout the Focus Area.

**Phase 6: Final Master Plan and Environmental Analysis** – Based on comments received on the draft documents, the master plan and environmental document will be finalized and presented to City Council for approval.



The anticipated time frame to complete the scope of work and obtain approvals is 12 months. The proposed budget for the above scope of work is \$211,500 if all sub-consultants are contracted through FME, or \$200,000 if the City directly contracts with each of the sub-consultants. Staff recommends FME contract with the subs so the City is managing one contract rather than seven for this effort and feels the additional cost is justified.

#### **FINANCIAL IMPACTS:**

The Council approved a \$200,000 budget for the CineDome Focus Area master plan in the nonrecurring planning key (49711-53201-CINEDOME-53201) in Fiscal Years 2015-17 budget, and the current remaining balance is \$177,140. In Fiscal Year 2015-16, approximately \$20,000 was expended on project-related activities including project management services with Cass Walker Co. who assisted the City with efforts to engage Focus Area property owners in the planning effort; conducted property background work; coordinated with Flood Control District to obtain final property take lines for the flood bypass; and retained a civil engineering firm to prepare a site survey. An additional \$55,510 is necessary to cover the agreement scope of work plus a 10% contingency totaling \$232,650. There are sufficient funds budgeted in the nonrecurring planning key (49711-53201) that were appropriated for additional planning support for projects, which will be applied to the CineDome project to cover the contract costs. No budget adjustment is necessary.

#### **CEQA:**

The Community Development Director has determined that the Recommended Action is not in-and-of-itself a “project” (pursuant to CEQA Guidelines Section 15378) since it does not result in a physical change in the environment. However, the Recommended Action is part of a larger “project” that will be subject to environmental review in accordance with CEQA at the “earliest feasible time” prior to “approval” consistent with CEQA Guidelines Sections 15004 and 15352. The larger “project” is the CineDome Focus Area Master Plan which will include a CEQA analysis for Council review prior to adoption of the master plan.

#### **DOCUMENTS ATTACHED:**

1. Attachment 1: Agreement for Services with FME Architecture + Design

#### **NOTIFICATION:**

None.

#### **RECOMMENDED ACTION:**

Staff recommends that the City Council move, second and approve each of the actions set forth below, in the form of the following motion. Move to:

Authorize the City Manager to execute an agreement for services with FME Architecture + Design, in an amount not to exceed \$211,500 to complete preparation of the CineDome Focus Area Master Plan and CEQA document.

# ATTACHMENT 1

## AGREEMENT FOR SERVICES

### Planning and Design Services for Cinedome Focus Area Master Plan

This Agreement is dated this 20th day of September, 2016, by and between the City of Napa, a municipal corporation (hereinafter referred to as the "City"), and FME Architecture + Design, a C Corporation, (hereinafter referred to as "Consultant").

## RECITALS

A. The City requires professional planning services for the Cinedome Focus Area Master Plan, a 5.4-acre area in the 900-block of Pearl Street in Downtown Napa, including services related to site design, building architecture, civil engineering, landscape design, circulation, environmental impacts, and parking design and operations; and

B. The Consultant is qualified and experienced to provide and coordinate such services.

NOW, THEREFORE, said City and said Consultant for the considerations hereinafter set forth, mutually agree as follows:

1. SCOPE OF WORK. Consultant shall perform those services described as Tasks in the Scope of Work attached hereto as Exhibit "A" and incorporated herein by reference within the time frames stated therein.

2. COORDINATION. Consultant shall assign Colin Alley, Project Director, to personally participate in said project and to coordinate the activities of the Consultant.

3. COMPENSATION.

A. City shall pay Consultant as compensation in full for such services and expenses at the rates set forth in the Standard Hourly Rates and Charges attached hereto as Exhibit "B" and incorporated herein by reference. Notwithstanding the above, it is agreed that Consultant shall complete all the services set forth in Exhibit "A" for a total sum not to exceed \$211,500.00. Progress payments will be tied to completion of tasks so all payments are proportional to the work completed.

B. Consultant shall submit itemized monthly statements for work performed. City shall make any payment due within thirty (30) days after approval of the invoice by City, but in no case more than 60 days following receipt of Consultant's invoice for undisputed services.

C. Payments due and payable to Consultant for current services are within the current budget and within an available, unexhausted and unencumbered appropriation of the City. In the event the City has not appropriated sufficient funds for payment of Consultant services beyond the current fiscal year, this Agreement shall cover only those costs incurred up to the conclusion of the current fiscal year; payment for additional work is conditional upon future City appropriation.

4. TERM. The term of this Agreement shall be from the date that the Agreement has been executed by all required signatories until December 31, 2017, unless terminated earlier as provided herein; except that the obligations of the parties under Paragraph 12 (Indemnification) and Paragraph 13 (Insurance) shall continue in full force and effect after said expiration date or early termination in relation to acts or omissions occurring prior to such dates during the term of this Agreement, and the obligations of Consultant to City shall also continue after said expiration date or early termination in relation to the obligation prescribed by Paragraph 10 (Records of Performance), Paragraph 21 (Taxes), and Paragraph 26 (Confidentiality).

5. NOTICES. All notices, bills, and payments shall be made in writing and may be given by personal delivery or by mail. Notices, bills and payments sent by mail should be addressed as follows:

TO CITY:

Community Development Department  
Attn: Rick Tooker, Director  
CITY OF NAPA  
P.O. Box 660  
NAPA, CA 94559-0660

TO CONSULTANT:

Colin Alley  
FME Architecture + Design  
500 Montgomery Street  
San Francisco, CA 94111

and when so addressed, shall be deemed given upon deposit in the United States mail, postage prepaid. In all other instances, notices, bills and payments shall be deemed given at the time of actual delivery. Changes may be made in the names and addresses of the person to whom notices, bills and payments are to be given by giving notice pursuant to this Paragraph.

6. AMENDMENT OF SCOPE OF WORK. City shall have the right to amend the Scope of Work within the Agreement by written notification to the Consultant. In such event, the compensation and time of performance shall be subject to renegotiation upon written demand of either party to the Agreement. Failure of the Consultant to secure City's written authorization for extra or changed work shall constitute a waiver of any and all right to adjustment in the contract price or time due, whether by way of compensation, restitution, quantum merit, etc. for work done without the appropriate City authorization.

7. RIGHT TO TERMINATE/SUSPEND CONTRACT. At any time and for any or no reason, City shall have the right to terminate this Agreement, and pay the Consultant such equitable proportion of the total remuneration as the work satisfactorily done by the Consultant at the time of such discontinuance bears to the whole of the work required to be done by the Consultant under the terms of this Agreement. The City shall have the right to terminate Consultant for cause provided that : (i) the City first provides Consultant with a ten (10) day written notice to cure; and (ii) Consultant fails to cure within such ten (10) day period, in which case Consultant shall be liable for any and all damages resulting from such termination. Notwithstanding the above, Consultant shall not be relieved from liability to City for damages sustained by virtue of any breach of this Agreement by Consultant, whether or not the Agreement was terminated for convenience or cause. If the City fails to make undisputed payments to the Consultant in accordance with this Agreement, and fails to remit such undisputed payments within ten (10) days of Consultant's written demand for payment in accordance with the timing requirements of Section 3(b) of this Agreement, such failure shall be considered substantial nonperformance and cause for termination or, at the Consultant's option, cause for suspension of performance of services under this Agreement. If the Consultant elects to suspend services, the Consultant shall give seven (7) days' written notice to the City before suspending services. In the event of a suspension of services, the Consultant shall have no liability to the City for delay or damage caused the City because of such suspension of services. Before resuming services, the Consultant shall be paid all undisputed sums due prior to suspension and any expenses incurred in the interruption and resumption of the Consultant's services. The fees payable to Consultant and the time schedule for Consultant's remaining services shall be equitably adjusted.

If the City suspends the Project for more than ninety (90) cumulative days for reasons other than the fault of the Consultant, the Consultant may terminate this Agreement by giving not less than seven days' written notice.

8. CORRECTION OF WORK. The performance of services or acceptance of information furnished by Consultant shall not relieve the Consultant from obligation to correct any defective, inaccurate or incomplete work subsequently discovered and all such work shall be remedied by the Consultant on demand without cost to the City.

9. DELAYS AND EXTENSIONS. Time is of the essence concerning performance of this Agreement; however, the Consultant will be granted time extensions for delays beyond the Consultant's control. Time extensions will be equal to the length of the delay or as otherwise agreed upon between the Consultant and the City. Consultant shall perform the work subject to the generally accepted standard of care for performance of such services.

10. RECORDS OF PERFORMANCE. Consultant shall maintain adequate records of contract performance costs, expenses, etc., and make these records available for inspection, audit, and copying by the City during the agreement period and for a period of three (3) years from the date of final payment.

11. SUBCONTRACTING. The City shall be an intended beneficiary of any work performed by a subconsultant for purposes of establishing a duty of care between subconsultant and City. In accordance with Government Code Section 7550, Consultant agrees to state in a separate section of any filed report the numbers and dollars amounts of all contracts and subcontracts relating to preparation of the report.

12. INDEMNIFICATION. To the full extent permitted by law, Consultant shall indemnify and hold harmless City, its officers, employees and agents from and against any and all actions, claims, demands, damages, disability, losses, and liabilities of any nature that may be asserted by any person or entity including Consultant, to the extent caused by the Consultant's activities hereunder, including the activities of other persons employed or utilized by Consultant in the performance of this Agreement (including design defects and regardless of City's approval, use or acceptance of the work or work product hereunder) excepting liabilities due to the admitted or adjudicated negligence or willful misconduct of City. If the adjudicated or admitted negligence or willful misconduct of City has contributed to a loss, Consultant shall not be obligated to indemnify City for the proportionate share of such loss caused by such negligence or willful misconduct. Notwithstanding anything to the contrary set forth in Section 2778 of the California Civil Code, the indemnification obligation of the Consultant set forth in this Agreement shall not include the duty to defend; provided, however, Consultant agrees to reimburse the City for its reasonable costs incurred in connection with an indemnified Claim upon a final determination of Consultant's liability by a court or arbitrator of competent jurisdiction, such reimbursement shall be limited to the extent of Consultant's liability based upon the comparative fault of Consultant.

13a. Limitation of Liability. City understands and acknowledges that the process for this Project poses certain risks to both Consultant and City. City further understands and acknowledges that the amount of risk that Consultant can accept is tied, in part, to the amount of compensation received for services rendered. Consultant's fee for the Services offered is based on City's agreement to limit Consultant's liability as described below. City further acknowledges that were it not for this promise to limit Consultant's liability, Consultant's compensation would need to increase to address the risks posed by this Project. City, therefore, acknowledging its right to discuss this provision with legal counsel experienced in the design and construction process, as well as other design professionals, voluntarily agrees that, to the fullest extent permitted by law, Consultant's total liability to the City for any and all injuries, claims, liabilities, losses, costs, expenses or damages whatsoever arising out of or in any way related to the Project or this Agreement from any cause or causes including, but not limited to, Consultant's or any subconsultants' negligence, errors, omissions or breach of contract, (collectively "Fault") shall not exceed, at the time that Consultant is found to be at Fault, an amount equal to Consultant's professional liability insurance proceeds available to satisfy such a claim arising under this Agreement.

13b. No Personal Liability. In no event shall the respective officers, directors, shareholders, partners, members, managers and employees of City or Consultant be personally liable for the performance or breach of any obligation under this Agreement, or for any direct, indirect, incidental, or consequential losses or damage of any kind or nature whatsoever caused by any such breach of this Agreement. City and Consultant expressly waive any applicable statute or regulation to the contrary, provided, however, that this limitation shall not apply to the City's obligation to pay all fees due to the Consultant as set forth herein.

14. INSURANCE. Without limiting Consultant's indemnification provided herein, Consultant shall maintain, throughout the period of this Agreement, the following policies of insurance placed with insurers (if other than the State Compensation Fund) with a current A.M. Bests rating of no less than A:VII or its equivalent against injury/death to persons or damage to property which may arise from or in connection with the activities hereunder of Consultant, its agents, employees or subcontractors:

A. Comprehensive or Commercial General Liability Insurance at least as broad as Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001), in an amount of \$1,000,000.00 per occurrence. If work involves explosive, underground or collapse risks, XCU must be

included. If a general aggregate limit is used, either the general aggregate limit shall apply separately to this project or the general aggregate shall be twice the required occurrence limit. Said policy shall contain, or be endorsed with, the following provisions:

(1) The City, its officers, employees and agents, are covered as insureds for liability arising out of the operations performed by or on behalf of Consultant. The coverage shall contain no special limitations on the scope of protection afforded to the City, its officers, agents and employees.

(2) The policy shall not be canceled or materially reduced in coverage without thirty (30) days prior written notice ten (10) days for non-payment of premium to City by certified mail.

B. Automobile liability insurance with coverage at least as broad as ISO Form numbers CA 0001 06 92, Code 1 (any auto), for vehicles used in the performance of this Agreement with minimum coverage of not less than \$1,000,000 per accident combined single limit (CSL). Such policy shall contain or be endorsed with the provision that coverage shall not be canceled or materially reduced in coverage without thirty (30) days prior written notice ten (10) days for non-payment of premium to City by certified mail.

C. Worker's Compensation insurance meeting statutory limits of Labor Code which policy shall [contain or be endorsed to contain a waiver of subrogation against City, its officers, agents, and employees and] provide for thirty (30) days prior written notice to City in the event of cancellation

D. Professional liability insurance/errors and omission coverage in an amount no less than \$1,000,000.00 combined single limit (CSL). If insurance is written on a claim-made basis, Consultant agrees to maintain such insurance in effect for at least three (3) years following completion of performance under this Agreement.

E. Consultant shall furnish City with certificates and original endorsements effecting the required coverage prior to execution of this Agreement by City. The endorsements shall be on forms provided by City or as approved by City Attorney. Any deductible or self-insured retention over \$100,000.00 shall be disclosed to and approved by City. If Consultant does not keep all required insurance policies in full force and effect, City may, in addition to other remedies under this Agreement, terminate or suspend this Agreement.

15. STANDARD OF CARE. City relies upon the professional ability of Consultant and representations regarding the type of work to be performed as a material inducement to entering into this Agreement. The Consultant shall perform its services consistent with the professional skill and care ordinarily provided by architects practicing in the same or similar locality under the same or similar circumstances. The Consultant shall perform its services as expeditiously as is consistent with such professional skill and care and the orderly progress of the Project.

16. COVENANT AGAINST CONTINGENT FEES. The Consultant warrants that he has not employed or retained any company or person, other than a bona fide employee working for the Consultant, to solicit or secure this Agreement, and that he has not paid or agreed to pay any company or person, other than a bona fide employee, any fee, commission, percentage, brokerage fee, gift, or any other consideration, contingent upon or resulting from the award or making this Agreement. For breach or violation of this warranty, the City shall have the right to annul this Agreement without liability, or, in its discretion to deduct from the Agreement price or consideration, or otherwise recover, the full amount of such fee, commission, percentage, brokerage fee, gift, or contingent fee.

17. CONFLICT OF INTEREST. Consultant covenants that it presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of its services hereunder. Consultant further covenants that in the performance of this Agreement, no person having any such interest shall be employed. Consultant represents that Consultant has diligently conducted a search and inventory of Consultant's economic interests, as defined in the regulations promulgated by the Fair Political Practices Commission, and has determined that Consultant does not, to the best of Consultant's knowledge, have an economic interest that would conflict with Consultant's duties under this Agreement. Consultant will immediately advise the General Counsel of Authority if Consultant learns of an economic interest of Consultant's during the term of this Agreement. Consultant shall not make or participate in making

or in any way attempt to use Consultant's position to influence a governmental decision in which Consultant knows, or has reason to know, Consultant has a financial interest other than the compensation promised by this Agreement.

18. STATEMENT OF ECONOMIC INTEREST. If City determines Consultant comes within the definition of Consultant under the Political Reform Act (Government Code §87100), Consultant shall complete and file and shall require any other person doing work under this Agreement to complete and file a "Statement of Economic Interest" with the Clerk of the City of Napa disclosing Consultant and/or such other person's financial interests.

19. DEFAULT. If Consultant should fail to perform any of his obligations hereunder, within the time and in the manner herein provided or otherwise violate any of the terms of this Agreement, City may terminate this Agreement by giving Consultant written notice of such termination, stating the reason for such termination. In such event, Consultant shall be entitled to receive as full payment for all services satisfactorily rendered and expenses incurred hereunder, an amount which bears the same ratio to the total fees specified in the agreement as the services satisfactorily rendered hereunder by Consultant bear to the total services otherwise required to be performed for such total fee.

20. THIRD PARTY BENEFICIARIES. Nothing contained in this Agreement shall be construed to create and the parties do not intend to create any rights in third parties.

21. INDEPENDENT CONTRACTOR. The parties intend that Consultant, in performing the services specified herein, shall act as an independent contractor and shall have control of the work and the manner in which it is performed. Consultant is not to be considered an agent or employee of the City and is not entitled to participate in any pension plan, insurance, bonus or similar benefits City provides its employees. In the event City exercises its right to terminate this Agreement, Consultant expressly agrees that he/she shall have no recourse nor right of appeal under rules, regulations, ordinances or laws applicable to employees.

22. TAXES. Consultant agrees to file tax returns and pay all applicable taxes on amounts paid pursuant to this Agreement and shall be solely liable and responsible to pay such taxes and other obligations, including, but not limited to, state and federal income and FICA taxes. Consultant agrees to indemnify and hold the City harmless from any liability which it may incur to the United States or to the State of California as a consequence of Consultant's failure to pay, when due, all such taxes and obligations.

23. EMPLOYMENT PRACTICES. Consultant shall not discriminate in its performance under the Agreement either directly or indirectly on the grounds of race, color, religion, sex, age, national origin, or other prohibited grounds in its employment practices, and shall take affirmative steps to ensure that applicants are employed and employees are treated during employment without regard to race, color, religion, sex, age, national origin, or other prohibited grounds.

24. COMPLIANCE WITH LAW.

A. Consultant shall study and comply with all applicable federal, state and local laws, rules and regulations affecting the Consultant and his/her work hereunder and shall ensure that all subcontractors do the same, including, without limitation, compliance with the prevailing wage requirements of Labor Code Sections 1720 and 1770. Consultant represents and warrants to City that Consultant has and will keep in effect during the term of this Agreement all licenses (including but not limited to the City of Napa business license), permits, qualifications and approvals of whatsoever nature which are legally required for Consultant to practice Consultant's profession and to do the work hereunder.

B. Consultant agrees to abide by the requirements of the Immigration and Control Reform Act pertaining to assuring that all newly-hired employees of Consultant performing any services under this Agreement have a legal right to work in the United States of America, that all required documentation of such right to work is inspected, and that INS Form 1-9 (as it may be amended from time to time) is completed and on file for each employee. Consultant shall make the required documentation available upon request to City for inspection.

25. TITLE TO DOCUMENTS.

A. The parties acknowledge and agree that Consultant shall retain ownership of materials, proprietary methodologies and other creative tangible forms of expression created or owned by Consultant and used in connection with the Project (the "Preexisting Materials" and "Products of Service").

B. Subject to the City's payment of all undisputed amounts due to Consultant hereunder, Consultant hereby conveys to City an exclusive and irrevocable license to all drawings, specification, models, renderings and products of service, excluding the Preexisting Materials as incorporated into the foregoing, prepared in connection with the Project ("Products of Service"), including, without limitation, any materials that may be subject to copyrights and any copyright registrations, and a non-exclusive irrevocable license to use the Preexisting Materials.

C. Consistent with the provisions of Section 25(b), Consultant hereby irrevocably consents that the City shall have the right, without any further consent of the Consultant or any other party, to use or modify the Products of Service for any purposes in connection with the Project, including, without limitation, to complete or modify the Products of Services if Consultant is terminated prior to completing the Services.

D. The Consultant shall indemnify, and hold harmless, the City from all liability, costs, and attorneys' fees incurred which are related to and caused by an infringement of a third party's intellectual property rights, if proven. Should the City become aware of, or receive notice of, potential, accused, or actual infringement of intellectual property rights, the City shall, in its sole option, have the right to engage independent legal counsel to advise the City as to the infringement. Upon an adjudication of City's right to indemnity under the provisions of this paragraph, the costs and fees for such counsel, in proportion to Consultant's proven infringement, shall be borne by the Consultant and shall be immediately recoverable by the City. The Consultant shall have no obligation to indemnify the City for claims of infringement due to Consultant's incorporation of materials into the Products of Service that were provided by or at the City's request.

E. The Consultant understands that the Products of Service are intended specifically for the Project, and Consultant shall use its best efforts not to (nor shall it allow its sub-consultants or employees to) replicate the Products of Service as a whole for any other party or any other project. Further, Consultant shall not transfer or sell the Products of Service or related copyrights, except in connection with a sale of its business. For the purposes hereof, the Products of Service shall be deemed to be replicated by Consultant to the extent Consultant creates any work or plans that are sufficiently similar to the Products of Service as a whole to support a conclusion that such work or plans were copied from, or a duplication of, the Products of Service.

F. If the City subsequently reproduces the Project Documents or creates (or causes others to create) a derivative work based upon the Project Documents created by the Consultant, the City shall remove or completely obliterate the original professional seals, logos, and other indications on the documents of the identity of the Consultant and its sub-consultants and indemnify Consultant for any claims as outlined below. The City and its assigns shall limit their use of the Project Documents produced by the Consultant to this Project site.

G. In the event the City uses or modifies the Project Documents without retaining the authors of the Project Documents, the City releases the Consultant and Consultant's sub-consultants from all claims and causes of action arising from such uses or modification. The City further agrees to indemnify, defend and hold harmless the Consultant and its sub-consultants, and each of their respective officers and employees ("Consultant Indemnitees"), from and against any and all claims, liabilities, suits, demands, losses, costs and expenses, including, but not limited to, reasonable attorneys' fees and all legal expenses and fees incurred through appeal, and all interest thereon (collectively "losses") accruing or resulting to any and all persons, firms, or any other legal entities, on account of any damages or losses to property or persons, including injuries or death, or economic losses, arising out of such use or modification of the Project Documents, except that the City shall not have a duty to indemnify the Consultant Indemnitees for Losses if a court of competent jurisdiction finds that the Losses result from the sole negligence (as between the parties hereto as well as any other persons, firms, or legal entities) or willful misconduct of the Consultant.



H. Except for the assignment and licenses granted in Section 25, no other assignment, license, or right shall be deemed granted or implied under this Agreement.

I. Consultant agrees not to disclose or discuss any information gathered, discussed or generated in any way through this Agreement without the written permission of City during the term of this Agreement or until ninety (90) days after receipt of final payment from City.

26. RIGHT TO ADEQUATE ASSURANCE OF PERFORMANCE. Each party to this Agreement undertakes the obligation that the other's expectation of receiving due performance will not be impaired. When reasonable grounds for insecurity arises with respect to the performance of either party, the other may in writing demand adequate assurance of due performance, and until it receives such assurance, may, if reasonable, suspend any performance for which the agreed return has not been received. "Reasonable" includes not only the conduct of a party with respect to other agreements with parties to this Agreement or others. After receipt of a justified demand, failure to provide within a reasonable time, but not exceed fifteen (15) days, such assurance of due performance as is adequate under the circumstances of the particular case is a repudiation of this Agreement. Acceptance of any improper delivery, service or payment does not prejudice the aggrieved party's right to demand adequate assurance of future performance.

27. CONFIDENTIALITY. Consultant shall treat all information obtained from City in the performance of this Agreement as confidential and proprietary to City. Consultant shall treat all records and work product prepared or maintained by Consultant in the performance of this Agreement as confidential. Consultant agrees that it will not use any information obtained as a consequence of the performance of work for any purpose other than fulfillment of Consultant's scope of work. Consultant will not disclose any information prepared for City, or obtained from City or obtained as a consequence of the performance of work, to any person other than City, or its own employees, agents or subcontractors, who have a need for the information for the performance of work under this Agreement unless such disclosure is specifically authorized in writing by the City. Consultant shall advise City of any request for disclosure of information or of any actual or potential disclosure of information. Consultant's obligations under this paragraph shall survive the termination of this Agreement.

28. ACCIDENT REPORT. If any damage (including death, personal injury, or property damage) occurs in connection with the performance of this Agreement, Consultant shall promptly submit to the City Clerk's Office a written notice of such accident with the following information:

- A. Name and address of the injured or deceased person(s);
- B. Name and address of any witness;
- C. Name and address of Consultant's insurance company; and
- D. A detailed description of the damage and whether any City property was involved.

29. ELECTRONIC COMMUNICATIONS. During the course of this Agreement, communications may occur through sending, receiving or exchanging electronic versions of documents and e-mails using commercially available computer software and Internet access. Consultant and the City acknowledge that the Internet is occasionally victimized by the creation and dissemination of so-called viruses or similar destructive electronic programs. Consultant and the City view the issues raised by these viruses seriously and have invested in document and e-mail scanning software that identify and reject files containing known viruses. Consultant agrees to update its system with the software vendor's most current releases at regular intervals. Because of the virus scanning software, the respective computer systems of the parties may occasionally reject a communication. The parties acknowledge that this occurrence is to be expected as part of the ordinary course of business. Because the virus protection industry is generally one or two steps behind new viruses, neither party can guarantee that its respective communications and documents will be virus free. Occasionally, a virus will escape and go undetected as it is passed from system to system. Although each party will use all reasonable efforts to assure that its communications are virus free, neither party warrants that its documents will be virus free. Each party agrees to advise the other if it discovers a virus in its respective system that may have been communicated to the other party.

30. Right to Publish: The Consultant shall have the right to include representations of the Products of Service of the Project among Consultant's promotional and professional materials. The

Consultant's materials shall not include the City's confidential or proprietary information if the City has previously advised the Consultant in writing of the specific information considered by the City to be confidential or proprietary.

31. ELECTRONIC OR MAGNETIC DATA. If the Scope of Work requires that Consultant provide documents in electronic or magnetic formats, they shall be provided in a manipulable form. City recognizes that electronic or magnetic data and its transmission may be damaged, may develop inaccuracies during use, and may contain viruses or other destructive programs, and that software and hardware operating systems may become obsolete. Consultant shall not be liable for any loss of use, profit, or any other damages arising from City's reuse, misuse, modification, or misinterpretation of the data submitted in electronic or magnetic form. Nothing contained in this paragraph shall affect the indemnification or standard of care required hereunder for Consultant with respect to Consultant's work and work products delivered in hard copy.

32. GENERAL PROVISIONS.

A. Headings. The heading titles for each paragraph of this Agreement are included only as a guide to the contents and are not to be considered as controlling, enlarging, or restricting the interpretation of the Agreement.

B. Severability. If any term of this Agreement (including any phrase, provision, covenant, or condition) is held by a court of competent jurisdiction to be invalid or unenforceable, the Agreement shall be construed as not containing that term, and the remainder of this Agreement shall remain in full force and effect; provided, however, this paragraph shall not be applied to the extent that it would result in a frustration of the parties' intent under this Agreement.

C. Governing Law, Jurisdiction, and Venue. The interpretation, validity, and enforcement of this Agreement shall be governed and interpreted in accordance with the laws of the State of California. Any suit, claim, or legal proceeding of any kind related to this Agreement shall be filed and heard in a court of competent jurisdiction in the County of Napa.

D. Attorney's Fees. In the event any legal action is commenced to enforce or interpret this Agreement, the prevailing party is entitled to reasonable attorney's fees, costs, and expenses incurred, whether or not such action proceeds to judgment.

E. Assignment and Delegation. This Agreement, and any portion thereof, shall not be assigned or transferred, nor shall any of the Consultant's duties be delegated without the written consent of City. Any attempt to assign or delegate this Agreement without the written consent of the City shall be void and of no force or effect. A consent by the City to one assignment shall not be deemed to be a consent to any subsequent assignment.

F. Modifications. This Agreement may not be modified orally or in any manner other than by an agreement in writing signed by both parties.

G. Waivers. Waiver of a breach or default under this Agreement shall not constitute a continuing waiver or a waiver of a subsequent breach of the same or any other provision of this Agreement.

H. Time. Time is of the essence in carrying out the duties hereunder.

I. Entire Agreement. This Agreement, including all documents incorporated herein by reference, comprises the entire integrated understanding between the parties concerning the services described herein. This Agreement supersedes all prior negotiations, agreements, and understandings regarding this matter, whether written or oral. The documents incorporated by reference into this Agreement are complementary; what is called for in one is binding as if called for in all.

J. Each Parties' Role in Drafting the Agreement. Each party to this Agreement has had an opportunity to review the Agreement, confer with legal counsel regarding the meaning of the

Agreement, and negotiate revisions to the Agreement. Accordingly, neither party shall rely upon Civil Code Section 1654 in order to interpret any uncertainty in the meaning of the Agreement.

K. Signatures. The individuals executing this Agreement represent and warrant that they have the right, power, legal capacity, and authority to enter into and to execute this Agreement on behalf of the respective legal entities of the Consultant and the City.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed the day and year first above written.

**CITY OF NAPA:**

\_\_\_\_\_  
(Signature)

Mike Parness, City Manager  
(Type name and title)

**ATTEST:**

\_\_\_\_\_  
(Signature)

Dorothy Roberts, City Clerk  
(Type name and title)

**COUNTERSIGNED:**

\_\_\_\_\_  
(Signature)

Desiree Brun, City Auditor  
(Type name and title)

**APPROVED AS TO FORM:**

\_\_\_\_\_  
(Signature)

Michael W. Barrett, City Attorney  
(Type name and title)

Budget Code: 49711-53201

**CONSULTANT:**

FME Architecture + Design  
C Corporation

\_\_\_\_\_  
(Type name of Consultant/form of organization)\*

By:

\_\_\_\_\_  
(Signature)

Eric Ibsen, Chief Design Officer

By:

\_\_\_\_\_  
(Signature)

Andrew Wilson, Chief Financial Officer

Address: 500 Montgomery Street  
San Francisco, CA 94111

Telephone: 415-434-0320

\*Corporation, partnership, limited liability corporation, sole proprietorship, etc.  
Unless corporate resolution delegates an individual to sign contracts, an agreement with a corporation shall be signed by the President or Vice President **and** the Secretary or Treasurer of the corporation. A general partner shall sign on behalf of a general partnership. The managing member, if authorized, may sign on behalf of a limited liability corporation.

**EXHIBIT "A"**  
**SCOPE OF WORK**

**PROJECT SCOPE:**

5.4 acre (approx.) project focal area:

- Conceptualization of Scenarios for Mixed-Use development across multiple public and private parcels, as well as public rights-of-way
- Development of Strategy and Design for a parking plan to accommodate both existing neighborhood demand, and newly generated on-site demand
  - o Surface parking
  - o Structured parking
- Production of Development Guidelines to catalyze private development within the focal area.

FME ("Architect") shall provide the Basic Services outlined below, in coordination with the Consultant Team.

**A. Phase 1: Project Kick-Off and Site Visit**

1. Preliminary evaluation of materials provided by The City of Napa, as the basis for our work, going forward, including: Downtown Specific Plan and associated E.I.R., survey drawings, Oxbow Flood Bypass drawings, temporary and planned future permanent flood control barrier information, and other materials pertinent to this study.
2. Organization/Coordination of, and attendance at, a kick-off meeting/site walk with the City of Napa team, and all key consultant team members
3. Dissemination of a follow-up memorandum which memorializes the discussion(s) and direction afforded during both the kick-off meeting and the site walk. This memorandum will also articulate base materials provided to the Consultant Team, and any required additional materials to produce our work.

**Deliverables:**

- Memorandum as follow-up to materials review, kick-off meeting, and site walk

**B. Phase 2: Conceptual Site Design Studies**

1. Develop an iterative series of site planning studies and programmatic "bubble" diagrams to flesh out strategic vision options for the focus area, inclusive of land uses, open space, building footprints, easements, parking, etc.
2. Direct and coordinate the Consultant team in the production of supporting materials to further clarify these strategic plan studies, including:
  - o Landscape and hardscape strategies for open space definition and connection to surrounding context
  - o Parking studies for structured and surface parking strategies suitable to accommodate both on-site and off-site demand (as part of the parking exempt district)
  - o Civil studies of C-3 stormwater treatment strategies, overland release, and flood bypass flood barrier impacts on future development scenarios

- Public Art conceptualization studies for potential to tie in to site planning concepts.
- 3. Further elaborate preferred design concepts/site studies through three-dimensional massing studies which serve to outline setbacks, stepbacks, scale of public open space, and height and scale of building envelopes as related to the surrounding context.

Deliverables:

- Colored conceptual site planning diagrams (“bubble” diagrams) – maximum of three (3)
- Associated area and parking calculations for each site planning diagram
- Associated notes outlining public/private nature of various project components, phasing of the work, and property line adjustments required for each site planning diagram
- Public Art preliminary concepts status report
- Three-dimensional massing studies of two (2) concept site plans utilizing SketchUp or Revit production software.

C. Phase 3: Parking Alternatives

1. Development of alternative parking strategies, both physical and operational, to accommodate the public need along with the demand generated within the focus area, acknowledging the various scenarios identified within the RFP document, relative to each of the key stakeholder parcels (Napa Sanitation District, City of Napa, and SyWest Development)
2. Coordination of FME’s services with those of Watry Design, Inc.
3. Development of Parking calculations and relative cost breakdowns for various scenarios
4. Develop a scenario which considers the privatization of parking, both on private and public land

Deliverables:

- Alternative parking strategy plans and diagrams – maximum of three (3)
- Associated parking tabulations as related to development schemes produced in Phase 2

D. Phase 4: Public Outreach/Meetings

1. Preparation of presentation materials to adequately portray proposed/under consideration development scenarios to the public, planning commission, and city council
2. Attendance at one (1) workshop meeting in the City of Napa.
3. Production of report outlining findings of workshop meeting
4. Attendance at two (2) public meetings with the Planning Commission and City Council in the City of Napa

Deliverables:

- Presentation materials (digital and/or physical) for one (1) workshop meeting
- Digital presentations for two (2) public meetings with planning commission and city council

E. Phase 5: Draft Master Plan + Environmental Analysis

1. Based on the preferred scenario from Phases 2 and 3, create a draft of the Master Plan document, for review and comment by the City of Napa, and other interested stakeholders, including:
  - a. Land use diagram
  - b. Design Guidelines for buildings
  - c. Urban design guidelines for streets, walkways, and open space
  - d. Standards for lighting, railings, furnishings, etc.
  - e. Public Art recommendations and focus throughout the area
2. Coordination of all consultants to incorporate information as required to illustrate critical components of the plan scenario, including, but not limited to:
  - a. Land use diagram
  - b. Square footage by land use calculations
  - c. Parking calculations
  - d. Public versus Private components
  - e. Property line configuration(s)
  - f. Construction phasing
3. Coordination of work of FirstCarbon Solutions and W-Trans on production of Draft Environmental Analysis

Deliverables:

- Draft Master Plan document
- Draft Environmental Analysis

F. Phase 6: Final Master Plan + Environmental Analysis

1. Produce Final Master Plan document, based on written comments received from the City team.
2. Produce Final Environmental Analysis, based on written comments received from the City team

Deliverables:

- Final Master Plan document
- Final Environmental Analysis

G. Services beyond the Architect's Scope of Basic Services include, but are not limited to the following, and are subject to Additional Services and Charges:

1. Meetings in excess of the scope described above
2. Preparation of mock-ups, presentation quality models, photo-realistic renderings or other 3-D hand or digital perspective drawings, except as described above
3. Construction cost estimating
4. Any services required beyond the schedule outlined in this proposal
5. Any other services not otherwise included in this Agreement, or not customarily furnished in accordance with generally accepted architectural practices

PROJECT BUDGET:

Our team's professional fees are proposed on a Fixed Fee/Stipulated Sum basis, as outlined within the Request for Proposal (RFP). The fees are based on the Scope of Work outlined in our Scope of Services, along with our Consultants' proposals. These fees assume all consultants on the team will be directly contracted to the City. Should the desire be to have a

single-source contract with FME, we can administer the contracts of the other Consultants on our team for a 10% administrative mark-up.

Our team's proposed professional fees for the requested base scope of work total \$200,000.

We feel that this amount will allow us to professionally and competently address all aspects of the Project, and provide the City team with a thoroughly vetted and complete Master Plan.

Firm	Fixed Fee	Total Hours allotted	Notes
FME Architecture + Design	\$85,520	498 hrs.	See attached "Revised Consultant Team Fees Matrix," for breakdown of fees per Phase of Work.
Smith & Smith	\$11,000	65 hrs.	
Langan	\$19,480	86 hrs.	
Watry	\$14,000	68 hrs.	
First Carbon Solutions	\$65,000	508 hrs.	
Laura Grigsby, Public Art	\$5,000	32 hrs.	
TOTALS	\$200,000	1,257 hrs.	<i>\$211,500, total, if contracted through FME</i>

## EXHIBIT "B"

### COMPENSATION RATES AND CHARGES

#### FME 2016 Hourly Rates

Executive Principal	\$205
Principal	\$190
Project Director	\$175
Senior Project Architect	\$175
Senior Project Manager	\$160
Senior Designer	\$135
Senior Architectural Technician	\$150
Project Manager	\$135
Project Architect / Designer	\$125
Job Captain	\$115
Staff Designer 2	\$105
Staff Designer 1	\$ 95
Design Intern	\$ 90
Administration	\$ 65



**EXHIBIT "C"**

**CERTIFICATE OF CONSULTANT**

I HEREBY CERTIFY that I am the Chief Design Officer, and a duly authorized representative of the firm of FME Architecture + Design, whose address is 500 Montgomery Street, San Francisco, CA 94111, and that neither I nor the above firm I here represent has:

- a) Employed or retained for a commission, percentage, brokerage, contingent fee, or other consideration, any firm or person (other than a bona fide employee working solely for me or the above consultant) to solicit to secure this Agreement.
- b) Agreed, as an express or implied condition for obtaining this contract, to employ or retain the services of any firm or person in connection with carrying out the Agreement; or
- c) Paid, or agreed to pay, to any firm, organization or person (other than a bona fide employee working solely for me or the above consultant) any fee, contribution, donation, or consideration of any kind for, or in connection with, procuring or carrying out the Agreement;

Except as here expressly stated (if any);

I acknowledge that this certificate is subject to applicable State and Federal laws, both criminal and civil.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Eric Ibsen, Chief Design Officer  
FME Architecture + Design



CITY OF NAPA CITY COUNCIL  
**AGENDA REPORT**

ADMIN CALENDAR  
AGENDA ITEM 6.A.  
Date: September 20, 2016

To: Honorable Mayor and Members of City Council

From: Roberta Raper, Finance Director and Jack LaRochelle, Public Works Director

Prepared by: Roberta Raper and Kevin Miller, Materials Diversion Administrator

Subject: Revenue Bond Issuance for Covered Compost System and Other Capital Improvements at City's Materials Diversion Facility

**ISSUE STATEMENT:**

Adopt a resolution authorizing the issuance and sale of solid waste revenue bonds, in an amount not to exceed \$12,500,000, for the purpose of financing the costs of constructing covered compost system and other capital improvements to the MDF, and related matters; and determine that the potential environmental impacts of these actions were adequately analyzed by a previously adopted mitigated negative declaration.

**DISCUSSION:**

As discussed in detail at City Council's June 21st meeting, the MDF requires certain improvements be constructed very soon to be in compliance with its Air Quality and stormwater permits. These improvements – covered composting bunkers (estimated at \$7,500,000) and storm drain improvements (estimated at \$2,000,000) being the largest needs – all will serve to reduce the impacts emanating from the increasing flow of food scraps into the MDF which are essential to achieving compliance with the City's mandated diversion policy goals as well as State-required food composting legislation. The 2016 Bonds will fund these improvements, as well as a debt service reserve fund or surety bond and related costs of the financing.

Staff recommends that the City Council approve the issuance of the 2016 Bonds, and an Indenture of Trust and a Continuing Disclosure Certificate in substantially the forms attached (the final dates and precise transaction amounts will be finalized based on the actual closing date). Due to the security, size and length of the term of the transaction, it has been determined that the 2016 Bonds will be sold as a conventional public offering in the municipal bond market to secure the lowest interest rate and annual debt payment. The 2016 Bonds will be issued as "taxable bonds" (i.e., interest on the 2016 Bonds will not be excluded from gross income of the owners of the 2016 Bonds for federal income tax purposes) because the City wishes to maintain more flexibility with respect to the terms of its contracts with facility operators than it could if the 2016 Bonds were issued as "tax-exempt" bonds. Additionally, due to the nature of the solid waste revenue security and need to retain an underwriter during structuring phase of the

project to become fully versed with the credit to best market the bonds to investors, the 2016 Bonds will utilize a negotiated method of sale. Raymond James has been retained as the City's underwriter for the 2016 Bonds ("Underwriter") and was selected based upon a competitive request for qualifications process.

The Underwriter has suggested that the City consider adding a "Green Bonds" designation to the 2016 Bonds because the Underwriter believes that doing so could increase the demand for the 2016 Bonds and, consequently, lower the interest rate. A "Green Bond" designation would not convey any special credit enhancement or unique lien status, but it would allow investors the opportunity to invest in environmentally beneficial endeavors.

**Security for the 2016 Bonds.** The 2016 Bonds will be payable from revenues of the City's Solid Waste and Materials Diversion Enterprise Fund after all operating expenses have been paid. Note that reimbursement of the City's General Fund from the Solid Waste and Materials Diversion Fund for various ongoing services provided by General Fund employees and functions is treated as an operating expense, and therefore, is payable on a senior basis to debt service on the proposed 2016 Bonds. However, certain capital expenses (including the annual contribution to the City's Street Resurfacing Fund for impacts to the City's streets from the large solid waste and recycling collection trucks) will be funded after the debt service payment. This means the operating expenses will be paid first, debt service payment will be made next, and the capital expenses, including the contribution to the Street Resurfacing program, will be made from funds available after the annual debt service payment is made. While capital expenses are prioritized below the debt service payment, they will continue to be included in the rate setting calculations and process, and will continue to be funded on an annual basis as they have been historically. There is no General Fund obligation of any kind for the 2016 Bonds because the 2016 Bonds are solely secured by net revenues of the Solid Waste and Materials Diversion Enterprise Fund.

The Indenture of Trust governs the use of proceeds of the 2016 Bonds and the security for the 2016 Bonds. As is typical with other enterprise revenue financings in California, the Indenture requires the City to collect solid waste service rates sufficient to generate net revenues equal to 100% of annual debt service on the 2016 Bonds, plus a 25% margin. This "margin," or coverage factor, is necessary to secure an investment grade rating that will achieve the most efficient borrowing cost and, as a result, reduce the impact of the financing on customers of the City's solid waste and recycling enterprise. Consequently, to the extent that solid waste service rates are insufficient to pay debt service and provide the 25% debt service coverage factor, the Indenture requires the City to initiate a Proposition 218 process to raise rates (or reduce operating expenses).

However, the Indenture also provides a mechanism under which this obligation can be deferred. The City retains the option of using moneys in a "Rate Stabilization Fund" to fund all or a portion of the "margin" or coverage factor in lieu of raising rates (or reducing operating expenses); the availability of the Rate Stabilization Fund as a method for deferring rate increases (or expense reductions) is dependent upon the City making transfers to the Rate Stabilization Fund in those years where surplus revenues are available. The City's failure to meet its rate covenant would constitute an event of default under the Indenture.

## PROFESSIONAL SERVICES:

Jones Hall is serving as Bond Counsel and Disclosure Counsel in connection with the issuance, sale and delivery of the 2016 Bonds and NHA Advisors LLC is serving as municipal advisor in connection with the issuance, sale and delivery of the Bonds under professional services agreements that are on file with the City Manager. These two firms, along with Raymond James & Associates, Inc. serving as underwriter, successfully executed the Napa Successor Agency's Tax Allocation Refunding Bond transaction in January, 2015.

## SCHEDULE:

If City Council approves the resolution, it is expected that, shortly thereafter, the bond structure for the 2016 Bonds will be finalized and the preliminary official statement for the 2016 Bonds will be posted for potential bond investors' review. Depending upon bond market conditions, the terms of the 2016 Bonds would be set on or about October 5, 2016 and closing would occur approximately two weeks later (approximately October 20, 2016).

## DOCUMENTS FOR APPROVAL

There are several documents attached, including a summary of the proposed City of Napa 2016 Solid Waste Revenue Bond Payment Summary and the proposed resolution, which authorizes Staff and its finance team to complete the transaction, subject to certain not-to-exceed parameters, including maximum bond size, interest rate and underwriter discount. The following documents are included as exhibits to the resolution:

**Indenture of Trust.** The Indenture of Trust governs the use of proceeds of the 2016 Bonds and the security for the 2016 Bonds. The Indenture establishes the rules for issuance of future debt secured by net revenues of the solid waste and recycling enterprise, includes the "rate covenants" described in "Discussion" above and describes the use and timing of revenues generated by the solid waste and recycling enterprise.

**Bond Purchase Agreement.** Pursuant to the Bond Purchase Agreement between the City and Raymond James, as Underwriter, the City will make certain representations and agree to the final pricing terms when the 2016 Bonds are sold. Under the Bond Purchase Agreement, the underwriter will agree to purchase all of the 2016 Bonds from the City at an established price, together with any premium or discount.

**Continuing Disclosure Certificate.** Pursuant to the Continuing Disclosure Certificate, the City will be obligated to provide certain annual financial and operating information and notices of enumerated events to the Electronic Municipal Market Access ("EMMA") website for purposes of assisting the Underwriter with complying with Rule 15c2-12 ("Rule 15c2-12") of the U.S. Securities and Exchange Commission ("SEC") promulgated under the Securities Exchange Act of 1934, as amended.

**Preliminary Official Statement.** The City is obligated to distribute a disclosure document to potential purchasers of the 2016 Bonds. The attached Preliminary Official Statement has been reviewed and approved for transmittal to the City Council by City staff and its financing team. The distribution of the Preliminary Official Statement by the City is

subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the Preliminary Official Statement to include all facts that would be material to an investor in the 2016 Bonds. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the 2016 Bonds.

The Securities and Exchange Commission (the “SEC”), the agency with regulatory authority over the City’s compliance with the federal securities laws, has issued guidance as to the duties of the City Council with respect to its approval of the Preliminary Official Statement. In its “Report of Investigation in the Matter of County of Orange, California as it Relates to the Conduct of the Members of the Board of Supervisors” (Release No. 36761 / January 24, 1996) (the “Release”), the SEC stated that, if a member of the City Council has knowledge of any facts or circumstances that an investor would want to know about prior to investing in the Bonds, whether relating to their repayment, tax status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the Preliminary Official Statement. In the Release, the SEC stated that the steps that a member of the City Council could take include becoming familiar with the Preliminary Official Statement and questioning staff and consultants about the disclosure of such facts.

The security for the 2016 Bonds is described in the section of the Preliminary Official Statement entitled “SECURITY FOR THE BONDS.” (See Page 10)

Information about the solid waste and recycling enterprise is located in three sections:

- “THE SOLID WASTE ENTERPRISE SYSTEM” (See Page 20)
- “SOLID WASTE REGULATIONS.” (See Page 52)

The key risk factors associated with the 2016 Bonds are described in the section of the Preliminary Official Statement entitled “RISK FACTORS” (See Page 55).

## **FINANCIAL IMPACTS:**

The proposed 2016 Bonds will require an additional annual debt service appropriation from the Solid Waste and Materials Diversion Fund of not more than \$850,000 per year for 19 years, beginning in Fiscal Year 2017-18. Using a figure of \$185,000 to represent 1% of the Solid Waste Collection Rate Revenue, an \$850,000 debt service payment equates to approximately 4.6% of annual collection rate revenue. In FY 2016/17 only interest is due (accrued interest of approximately \$260,000), which is already included in the adopted budget. This financial impact rests solely with the Solid Waste and Materials Diversion Fund—there is no General Fund impact from this financing.

## **CEQA:**

City staff recommends that the City Council determine, pursuant to CEQA Guidelines Section 15162, that the potential environmental effects of the Recommended Action described in this Agenda Report (the 2016 Bonds) were adequately examined by the

Mitigated Negative Declaration (MND) for the Napa Renewable Resources Project (NRRP), which was adopted by the City of Napa Planning Commission on October 31, 2013, pursuant to Resolution No. PC2013-15. A Notice of Determination for the MND was filed on February 3, 2014 (File # 12-0022, State Clearinghouse Number 2013092036). The 2016 Bonds are planned to finance physical construction of certain critical and time-sensitive improvements to the City's Materials Diversion Facility (MDF) that are described as a part of the NRRP, including a covered compost system (covered aerated static pile, or CASP system) and stormwater upgrades. The 2016 Bonds are also anticipated to include sufficient funds to finance additional physical improvements to the MDF that have not yet been completely identified, and that were not analyzed in the MND, such as the potential construction of an extension of the roof at the main sorting building at the MDF. Any such additional physical improvements to be funded by the 2016 Bonds are not subject to CEQA review at this time, since the City has not yet completely defined those physical improvements, and has not made a commitment to any physical change in the environment. Any such additional physical improvements will be subject to environmental review in accordance with CEQA at the "earliest feasible time" after they have been identified, and prior to "approval" of construction, consistent with CEQA Guidelines Sections 15004 and 15352.

#### **DOCUMENTS ATTACHED:**

1. Attachment 1. Resolution Authorizing the Issuance and Sale of Solid Waste Revenue Bonds, in an amount not to exceed \$12,500,000, for the Purpose of financing the Costs of Constructing Materials Diversion Facility Improvement Projects, approving an Indenture of Trust, a Continuing Disclosure Certificate and an Official Statement, and Related Matters (with Exhibits "A", "B", "C", and "D")

Attachment 2: City of Napa 2016 Solid Waste Revenue Bond Debt Payment Summary

#### **NOTIFICATION:**

Courtesy Copy via email to:

Greg Kelley, General Manager/Managing Partner, Napa Recycling & Waste Services  
Mike Murray, Controller/Chief Financial Officer, Napa Recycling & Waste Services  
Greg Pirie, Napa County Solid Waste Program Manager/Local Enforcement Officer  
Karen Querin, Napa County Auditor-Controller Office  
Evan Edgar, Edgar and Associates  
Eric Scriven, NHA Advisors  
Robert Larkins, Raymond James & Associates, Inc.

#### **RECOMMENDED ACTION:**

Staff recommends that the City Council move, second and approve each of the actions set forth below, in the form of the following motion. Move to:

Adopt a resolution authorizing the Issuance and Sale of Solid Waste Revenue Bonds, in an amount not to exceed \$12,500,000, for the Purpose of financing the Costs of Acquisition and Construction of Capital Improvements at the City's

Materials Diversion Facility, approving an Indenture of Trust, a Continuing Disclosure Certificate, and an Official Statement, and authorizing Related Matters.



RESOLUTION R2016-\_\_

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF NAPA, STATE OF CALIFORNIA, AUTHORIZING THE ISSUANCE AND SALE OF SOLID WASTE REVENUE BONDS IN AN AMOUNT NOT TO EXCEED \$12,500,000, FOR THE PURPOSE OF FINANCING THE COSTS OF ACQUISITION AND CONSTRUCTION OF CAPITAL IMPROVEMENTS AT THE CITY'S MATERIALS DIVERSION FACILITY, APPROVING AN INDENTURE OF TRUST, A CONTINUING DISCLOSURE CERTIFICATE, AND AN OFFICAL STATEMENT, AND AUTHORIZING RELATED MATTERS

WHEREAS, the City of Napa, California (the "City") is a charter city and municipal corporation organized and existing under and by virtue of the Constitution and laws of the State of California, and as such is authorized to issue the Bonds under and pursuant to the powers of the City with respect to municipal affairs in accordance with Section 4 of the City Charter and Section 5 of Article XI of the California Constitution; and

WHEREAS, the City, after due investigation and deliberation, has determined that it is in the interests of the City at this time to provide for the issuance of its Solid Waste Revenue Bonds, Series 2016 (Federally Taxable) (Napa Materials Diversion Facility) (the "Series 2016 Bonds") pursuant to this Resolution and the Indenture (as defined in Section 5) for the purpose of financing the acquisition and construction of capital improvements at the City's Materials Diversion Facility; and

WHEREAS, a Mitigated Negative Declaration (MND) for the Napa Renewable Resources Project (NRRP) was adopted by the City of Napa Planning Commission on October 31, 2013, pursuant to Resolution No. PC2013-15; and

WHEREAS, A Notice of Determination for the MND was filed on February 3, 2014 (File #12-0022, State Clearinghouse Number 2013092036); and

WHEREAS, the City Council of the City wishes at this time to authorize all proceedings relating to the issuance of the Series 2016 Bonds, and to approve the execution and delivery of all agreements and documents relating thereto.

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

1. Recitals. The City Council hereby finds that the facts set forth in the recitals to this Resolution are true and correct, and establish the factual basis for the City Council's adoption of this Resolution.

## ATTACHMENT 1

2. Adoption of Authorizing Procedures. The City Council hereby authorizes the Series 2016 Bonds to be issued pursuant to the powers of the City with respect to municipal affairs in accordance with Section 4 of the City Charter and Section 5 of Article XI of the California Constitution. The Series 2016 Bonds shall be issued and sold in accordance with the procedures specified in Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, which are hereby adopted as the procedures to be followed in the issuance and sale of the Series 2016 Bonds, with full force and effect as though the City were an "Authority" under and as defined therein.
3. Issuance of Bonds. The City Council hereby authorizes and approves the issuance of a series of bonds, to be denominated "City of Napa Solid Waste Revenue Bonds, Series 2016 (Federally Taxable) (Napa Materials Diversion Facility)", so long as the principal amount of the Series 2016 Bonds does not exceed \$12,500,000. The Finance Director is hereby authorized to add a "Green Bonds" designation to the name of the Bonds if she determines, after consultation with the City's municipal advisor and the Underwriter (defined below), that doing so would be likely to result in a lower interest rate.
4. Purposes. The purposes for which the Series 2016 Bonds are proposed to be issued are to provide funds to finance acquisition and construction of capital improvements at the City's Materials Diversion Facility, fund a reserve fund for the Series 2016 Bonds (if necessary), and pay costs of issuing the Series 2016 Bonds.
5. Revenue Bonds. The Series 2016 Bonds are to be revenue bonds, payable exclusively from the net revenues of the Solid Waste System of the City. Such revenues constitute a trust fund for the security and payment of the principal or redemption price of and interest on the Series 2016 Bonds. 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 Series 2016 Bonds. The owners of the Series 2016 Bonds may not compel the exercise of the taxing power by the City or the forfeiture of its property. The principal or redemption price of and interest on the Series 2016 Bonds are not a debt of the City, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of the City's property, or upon any of its income, receipts, or revenues except the net revenues of the Solid Waste System of the City.
6. Approval of Indenture of Trust. The Series 2016 Bonds shall be issued pursuant to and secured by the Indenture of Trust (**Exhibit A**), between The Bank of New York Mellon Trust Company, N.A. (the "Trustee") and the City (the "Indenture"), which is hereby referred to and incorporated herein by reference. The Indenture, in substantially the form on file with the City Clerk

and made a part hereof as though set forth in full herein, is hereby approved by the City Council. The City Manager or his designee and the City Clerk are hereby authorized and directed, for and in the name of the City, to execute and deliver the Indenture in such form, together with such changes, insertions and omissions as may be approved by the City Attorney, Bond Counsel, and the officer executing the Indenture, such execution to be conclusive evidence of such approval; and the City Clerk is hereby authorized and directed to attest such Indenture and affix the seal of the City thereto. The City Council hereby authorizes the delivery and performance of the Indenture.

7. Series 2016 Bonds. The Series 2016 Bonds 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 Indenture and in accordance with this Resolution.
8. Sale of Series 2016 Bonds. The Bond Purchase Agreement (**Exhibit B**), between the City and Raymond James & Associates, Inc., the underwriter of the Series 2016 Bonds (the "Underwriter"), in substantially the form on file with the City Clerk and made a part hereof as though set forth in full herein, is hereby approved by the City Council. The City Manager and the Finance Director, or either of such officers acting singly, are each hereby authorized and directed, for and in the name of the City, to execute and deliver the Bond Purchase Agreement in such form, together with such changes, insertions and omissions which are approved by the City Attorney, Bond Counsel and the officer or officers executing such agreement and which are in accordance with the provisions of this Resolution, such execution to be conclusive evidence of such approval; and the City Clerk is hereby authorized and directed to attest such Bond Purchase Agreement; subject to the requirement that the true interest cost of the Series 2016 Bonds may not exceed 4.50% and the Underwriter's discount on the purchase of the Series 2016 Bonds may not exceed 0.60%. The City Council hereby approves the negotiated sale of the Series 2016 Bonds to the Underwriter pursuant to such Bond Purchase Agreement.
9. Official Statement. The City Council hereby approves the preliminary Official Statement (**Exhibit C**) describing the financing, in substantially the form on file with the City Clerk, together with any changes therein or additions thereto deemed advisable by the Finance Director or the City Manager. The City Council approves and authorizes the distribution by the Underwriter of the preliminary Official Statement to prospective purchasers of the Series 2016 Bonds, and authorizes and directs the Finance Director and the City Manager, on behalf of the City, to deem "final" pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") the preliminary Official Statement prior to its distribution by the Underwriter.

The Finance Director and the City Manager are authorized and directed to cause the preliminary Official Statement to be brought into the form of a final Official Statement and to execute said final Official Statement, dated as of the date of the sale of the Series 2016 Bonds, and a statement that the facts contained in the final Official Statement, and any supplement or amendment thereto (which shall be deemed an original part thereof for the purpose of such statement) were, at the time of sale of the Series 2016 Bonds, true and correct in all material respects and that the final Official Statement did not, on the date of sale of the Series 2016 Bonds, and does not, as of the date of delivery of the Series 2016 Bonds, contain any untrue statement of a material fact with respect to the City or omit to state material facts with respect to the City required to be stated where necessary to make any statement made therein not misleading in the light of the circumstances under which it was made. The Finance Director and the City Manager shall take such further actions prior to the signing of the final Official Statement as are deemed necessary or appropriate to verify the accuracy thereof. The execution of the final Official Statement, which shall include such changes and additions thereto deemed advisable by the Finance Director and the City Manager and such information permitted to be excluded from the preliminary Official Statement pursuant to the Rule, shall be conclusive evidence of the approval of the final Official Statement by the City.

The final Official Statement, when prepared, is approved for distribution in connection with the offering and sale of the Series 2016 Bonds.

10. Continuing Disclosure. The City Council hereby approves the Continuing Disclosure Certificate (**Exhibit D**), in substantially the form on file with the City Clerk, together with any changes therein or additions thereto deemed advisable by the City Manager or the Finance Director, such approval to be conclusively evidenced by the execution and delivery thereof. The City Manager and Finance Director are hereby separately authorized and directed to execute, and the City Clerk is hereby authorized and directed to attest the final form of the Continuing Disclosure Certificate, for and in the name and on behalf of the City. The City Council hereby authorizes the delivery and performance of the Continuing Disclosure Certificate.
11. Further Authority. The Finance Director is authorized to accept on behalf of the City a municipal bond guaranty insurance policy and a debt service reserve fund insurance policy and to restrict Authorized Investments in accordance with the terms of any such policy.

The officers of this City are hereby authorized and directed to execute all documents and take such actions as they may deem necessary or advisable in order to carry out and perform the purposes of this Resolution,

and the execution or taking of such action shall be conclusive evidence of such necessity or advisability.

12. Approval of Bond Counsel and Disclosure Counsel. The City Council hereby approves the engagement of Jones Hall, A Professional Law Corporation for bond counsel and disclosure counsel services in connection with the Bonds, pursuant to the Agreement for Legal Services on file with the City Clerk. The City Council hereby authorizes the City Attorney to execute the Agreement for Legal Services on behalf of the City.
13. Approval of Municipal Advisor. The City Council hereby approves the engagement of NHA Advisors, LLC for municipal advisor services, pursuant to the agreement on file with the City Clerk. The City Council hereby authorizes the City Manager to execute the agreement with NHA Advisors, LLC on behalf of the City.
14. Delivery of Series 2016 Bonds. The Series 2016 Bonds shall be delivered to the purchaser thereof. This City shall execute and the Trustee shall authenticate and deliver the Series 2016 Bonds upon receipt of the purchase price and shall credit the proceeds as provided in the Indenture.
15. CEQA. The City Council hereby determines, pursuant to CEQA Guidelines Section 15162, that the potential environmental effects of the actions identified in this resolution (the Series 2016 Bonds) were adequately examined by the Mitigated Negative Declaration (MND) for the Napa Renewable Resources Project (NRRP), which was adopted by the City of Napa Planning Commission on October 31, 2013, pursuant to Resolution No. PC2013-15. A Notice of Determination for the MND was filed on February 3, 2014 (File # 12-0022, State Clearinghouse Number 2013092036). The Series 2016 Bonds are planned to finance physical construction of certain critical and time-sensitive improvements to the City's Materials Diversion Facility (MDF) that are described as a part of the NRRP, including a covered compost system (covered aerated static pile, or CASP system) and stormwater upgrades. The Series 2016 Bonds are also anticipated to include sufficient revenue to finance additional physical improvements to the MDF that have not yet been completely identified, and that were not analyzed in the MND, such as the potential construction of an extension of the roof at the main sorting building at the MDF. The City Council hereby determines that any such additional physical improvements to be funded by the Series 2016 Bonds are not subject to CEQA review at this time, since the City has not yet completely defined those physical improvements, and has not made a commitment to any physical change in the environment. Any such additional physical improvements will be subject to environmental review in accordance with CEQA at the "earliest feasible time" after they have been identified, and prior to "approval" of construction, consistent with CEQA Guidelines Sections 15004 and 15352.

## ATTACHMENT 1

16. Effective Date. This Resolution shall take effect immediately upon its adoption.

I HEREBY CERTIFY that the foregoing Resolution was duly adopted by the City Council of the City of Napa at a public meeting of said City Council held on the 20th day of September, 2016, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST: \_\_\_\_\_  
Dorothy Roberts  
City Clerk

Approved as to for:

\_\_\_\_\_  
Michael W. Barrett  
City Attorney

6-26-16  
7-14-16  
7-27-16  
8-3-16  
8-6-16  
8-17-16  
9-2-16

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## **INDENTURE OF TRUST**

**by and between the**

**CITY OF NAPA**

**and**

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.  
as Trustee**

**Dated as of October 1, 2016**

**Relating to  
City of Napa  
\$[Principal Amount]  
Solid Waste Revenue Bonds,  
Series 2016 (Federally Taxable)  
Napa Materials Diversion Facility)  
[(Green Bonds)]**

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## INDENTURE OF TRUST

THIS INDENTURE OF TRUST is made and entered into as of October 1, 2016, by and between the CITY OF NAPA, a chartered city and municipal corporation organized and existing under the constitution and laws of the State of California (the "City"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, with a corporate trust office in San Francisco, California, and being qualified to accept and administer the trusts hereby created, as trustee (the "Trustee").

### RECITALS

1. The City is a charter city and municipal corporation organized and existing under and by virtue of the Constitution and laws of the State of California, and as such is authorized to issue the Bonds under and pursuant to the powers of the City with respect to municipal affairs in accordance with Section 4 of the City Charter and Section 5 of Article XI of the California Constitution.

2. The City, after due investigation and deliberation, has determined that it is in the interests of the City at this time to provide for the issuance of its Solid Waste Revenue bonds under this Indenture for the purpose of financing the acquisition and construction of capital improvements at the City's Materials Diversion Facility, and to that end the City Council has heretofore adopted its Resolution No. \_\_\_\_\_, approving and authorizing the issuance of its City of Napa Solid Waste Revenue Bonds, Series 2016 (Federally Taxable) Napa Materials Diversion Facility) [(Green Bonds)] (the "Series 2016 Bonds") for such purposes.

3. In order to provide for the authentication and delivery of the Series 2016 Bonds, to establish and declare the terms and conditions upon which the Series 2016 Bonds are to be issued and secured and to secure the payment of the principal thereof and of the interest and premium, if any, thereon, the Council has authorized the execution and delivery of this Indenture.

4. All of the Series 2016 Bonds will be secured by a pledge of the Net Revenues, as defined herein, and certain other moneys and securities held by the City and the Trustee hereunder.

5. All acts and proceedings required by law necessary to make the Series 2016 Bonds, when executed by the City, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the City, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth, in accordance with its terms, have been done and taken; and the execution and delivery of this Indenture have been in all respects duly authorized.

In order to secure the payment of the principal of and the interest and premium (if any) on all Series 2016 Bonds at any time issued and Outstanding under this Indenture, according to their tenor, 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 Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Series 2016 Bonds by the Owners thereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, the City does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the Series 2016 Bonds, as provided in this Indenture.

## ARTICLE I

### DEFINITIONS; AUTHORIZATION AND PURPOSE OF BONDS; EQUAL SECURITY

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Indenture and of any Parity Bonds Instrument and of the Bonds and of any certificate, opinion, request or other documents herein mentioned have the meanings herein specified.

“Additional Revenues” means any or all of the following amounts:

(a) An allowance for Net Revenues from any additions or improvements to or extensions of the Solid Waste System to be financed from the proceeds of the proposed series of Parity Bonds or from any other source but in any case which, during all or any part of the most recent completed Fiscal Year for which audited financial statements are available or for any other 12-month period selected by the City under Section 3.05(b), were not in service, all in an amount equal to 80% 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 to be in operation, all as shown by the certificate or opinion of a qualified independent engineer employed by the City.

(b) An allowance for Net Revenues arising from any increase in the Charges made for service from the Solid Waste System which has become effective prior to the incurring of the proposed Parity Bonds but which, during all or any part of such 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 such 12-month period, all as shown by the certificate or opinion of an Independent Accountant.

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

(a) Federal Securities;

(b) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: (i) Export-Import Bank; (ii) Farm Credit System Financial Assistance Corporation, (iii) Farmers Home Administration; (iv) General Services Administration; (v) U.S. Maritime Administration; (vi) Small Business Administration; (vii) Government National Mortgage Association (GNMA); (viii) U.S. Department of Housing & Urban Development (PHA's); (ix) Federal Housing Administration and (x) Federal Financing Bank;

(c) senior debt obligations rated “Aaa” by Moody's and “AAA” by S&P issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, senior debt obligations of other government-sponsored agencies approved by the Municipal Bond Insurer, obligations of the Resolution Funding Corporation (RFFCORP) and senior debt obligations of other government sponsored agencies;

(d) Bank deposit products, trust funds, trust accounts, certificates of deposit (including those placed by a third party pursuant to an agreement between the City and the Trustee), overnight bank deposits, interest bearing deposits, interest bearing money market accounts, U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks (including the Trustee and its affiliates)

which (i) have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P or collateralized by Federal Securities and maturing no more than 360 days after the date of purchase, provided that ratings on holding companies are not considered as the rating of the bank or (ii) are fully insured by the Federal Deposit Insurance Corporation;

(e) commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P, and which matures not more than 270 days after the date of purchase;

(f) investments in a money market mutual fund rated "AAAm" or "AAAm-G" or better by S&P, including any such money market fund from which the Trustee or its affiliates receive fees for services to such fund (including as transfer agent, investment advisor, custodian or other management services) but excluding such funds with a floating net asset value;

(g) pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (i) which are rated, based upon an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's and S&P or any successors thereto; or (ii)(A) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (a) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (B) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;

(h) general obligations of States with a rating of at least "A2/ A" or higher by both Moody's and S&P;

(i) investment agreements approved by the Municipal Bond Insurer;

(j) other forms of investments (including repurchase agreements) approved in writing by the Municipal Bond Insurer;

(k) the Local Agency Investment Fund maintained by the State of California;

(l) CalTrust, provided that, for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee; and

(m) repurchase or reverse repurchase agreements (including those of the Trustee or any of its affiliates) collateralized with Federal Securities.

"Authorized Official" means the City Manager, the Finance Director or a designee of the City Manager or Finance Director.

"Bond Counsel" means any attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states

and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

“Bond Proceeds Fund” means the fund of that name established pursuant to this Indenture.

“Bond Registration Books” means the books maintained by the Trustee pursuant to Section 2.08 for the registration and transfer of ownership of the Bonds.

“Bond Year” each twelve-month period extending from August 2 in one calendar year to August 1 of the succeeding calendar year, both dates inclusive; except that the first Bond Year commences on the Closing Date and extends to and including August 1, 20\_\_.

“Bonds” means, collectively, the Series 2016 Bonds and any Parity Bonds issued and at any time outstanding hereunder and under a Parity Bonds Instrument.

“Business Day” means any day other than a Saturday, Sunday or a day on which the Trustee is authorized by law to remain closed.

“Certificate of the City” means a certificate in writing signed by an Authorized Official, or by any other officer of the City duly authorized by the Council for that purpose.

“Charges” means fees prescribed by the Council for the collection, recycling and disposal of Solid Waste in the City, whether the fees are collected by the City or a Contractor.

“City” means the City of Napa, a chartered city and municipal corporation organized and existing under the Constitution and laws of the State, and any successor thereto.

“Closing Date” means the date upon which there is an exchange of the Series 2016 Bonds for the proceeds representing the purchase of such Series by the Original Purchaser thereof.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate executed by the City and dated the date of original execution and delivery of the Series 2016 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Contractor” means any company awarded a contract by the City to collect, sort, recycle or dispose of solid waste in the City.

“Cost of Issuance Fund” means the Account by that name under this Indenture.

“Costs of Issuance” means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Series 2016 Bonds, including but not limited to compensation, fees and expenses of the City and the Trustee and their respective counsel, compensation to any financial consultants and underwriters, legal fees and expenses, municipal bond insurance or surety bond premiums, filing and recording costs, rating agency fees, costs of preparation and reproduction of documents and costs of printing.

“Council” means the Council of the City or any other legislative body of the City hereafter provided for pursuant to law.

“Debt Service” means, during any period of computation, the amount obtained for such period by totaling the following amounts:

(a) The principal amount of all outstanding Serial Bonds payable by their terms in such period;

(b) The principal amount of all outstanding Term Bonds scheduled to be paid or redeemed by operation of mandatory Sinking Fund Installments in such period; and

(c) The interest which would be due during such period on the aggregate principal amount of Bonds which would be outstanding in such period if the Bonds are paid or redeemed as scheduled.

"Debt Service Fund" means the fund by that name established and held by the Trustee pursuant to this Indenture.

"Defeasance Obligations" means (a) cash, (b) non-callable Federal Securities described in paragraph (a) of the definition thereof ("Treasuries"), (c) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated or (d) pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively (or any combination thereof).

"Depository" means (a) initially, DTC, and (b) any other Securities Depositories acting as Depository pursuant to Section 2.11.

"Depository System Participant" means any participant in the Depository's book-entry system.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Event of Default" means any of the events described in Section 8.01.

"Federal Securities" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(a) 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); and

(b) obligations of any department, agency or instrumentality of the United States of America the timely payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America.

"Fiscal Year" means the period commencing on July 1 of each year and terminating on the next succeeding June 30.

"Gross Revenues" means, with respect to Solid Waste System, all revenue received by the City from the levy of Charges, and all other gross income and receipts derived by the City from the ownership and operation of the Solid Waste System or otherwise arising with respect to the Solid Waste System, including but not limited to investment earnings thereon; but excluding (a) the proceeds of any ad valorem property taxes levied for the purpose of paying general obligation bonds of the City relating to the Solid Waste System and (b) the proceeds of any special assessments or special taxes levied upon real property within any improvement district for the purpose of paying special assessment bonds or special tax obligations of the City relating to the Solid Waste System.

"Improvement" means any addition, extension, improvement, equipment, machinery or other facilities to or for the Solid Waste System.

“Improvement Fund” means the fund of that name established and held by the Trustee pursuant to this Indenture.

“Indenture” means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Parity Bonds Instrument pursuant to the provisions hereof.

“Independent Certified Public Accountant” means any certified public accountant or firm of such accountants appointed and paid by the City, and who, or each of whom-

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

(b) does not have any substantial identity of interest, direct or indirect, with the City; and

(c) is not and no member of which is connected with the City as an officer or employee of the City, but who may be regularly retained to make annual or other audits of the books of or reports to the City.

“Independent Consultant” means any financial or engineering consultant (including without limitation any Independent Certified Public Accountant) with an established reputation in the field of municipal finance or firm of such consultants appointed and paid by the City, and who, or each of whom-

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

(b) does not have any substantial identity of interest, direct or indirect, with the City; and

(c) is not and no member of which is connected with the City as an officer or employee of the City, but who may be regularly retained to make annual or other audits of the books of or reports to the City.

“Information Services” means in accordance with then-current guidelines of the Securities and Exchange Commission, the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>), or such service or services as the City may designate in a certificate delivered to the Trustee.

“Interest Payment Date” means, with respect to the Series 2016 Bonds, August 1 and February 1 in each year, beginning February 1, 2017.

“Interest Requirement” means, as of any particular date of calculation, the amount equal to any unpaid interest then due and payable, plus an amount which will on the next succeeding Interest Payment Date be equal to the interest to become due and payable on the Bonds on such next succeeding Interest Payment Date.

“Maintenance and Operation Costs” means the reasonable and necessary costs spent or incurred by the City or a Contractor for collecting, recycling and disposing of Solid Waste, and all reasonable and necessary expenses of management and repair and other expenses to collect, recycle and dispose of Solid Waste, and including all reasonable and necessary administrative costs of the City or the Contractor attributable to the collection, recycling and disposal of Solid Waste, such as landfill closure costs, salaries and wages and the necessary contribution to retirement of employees, overhead, insurance, taxes (if any), expenses, compensation and indemnification of the Trustee, and fees of auditors, accountants, attorneys or engineers, and including all other reasonable and necessary costs of the City or the Contractor or charges

required to be paid by it or the Contractor to comply with the terms of the Bonds or this Indenture, but excluding depreciation, interest expense, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature. Although it would be consistent with generally accepted accounting principles to characterize it as a Maintenance and Operation Cost, the Solid Waste System's contribution to the City's Street Resurfacing Fund to pay for the impact of refuse vehicles on City streets shall not be paid as a Maintenance and Operation Cost pursuant to Section 4.02(c)(i) and instead shall be paid pursuant to Section 4.02(c)(iv).

"Moody's" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Municipal Bond Insurance Policy" means the municipal bond insurance policy issued by the Municipal Bond Insurer insuring the payment, when due, of the principal of and interest on the Series 2016 Bonds.

"Municipal Bond Insurer" means \_\_\_\_\_, as issuer of the Municipal Bond Insurance Policy, and its successors and assigns.

"Net Proceeds", when used with reference to any insurance or condemnation award or sale of property, means the gross proceeds from the sale of property or insurance or condemnation award with respect to which that term is used remaining after payment of all expenses (including attorneys' fees and any extraordinary expenses of the Trustee) incurred in the collection of such gross proceeds.

"Net Revenues" means Gross Revenues minus Maintenance and Operation Costs.

"Original Purchaser" means, in the case of the Series 2016 Bonds, Raymond James & Associates, Inc.

"Outstanding", when used as of any particular time with reference to Series 2016 Bonds issued under this Indenture, means (subject to the provisions of Section 7.03) all Series 2016 Bonds theretofore executed, issued and delivered by the City under this Indenture except -

(a) Series 2016 Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(b) Series 2016 Bonds paid or deemed to have been paid within the meaning of Section 9.03; and

(c) Series 2016 Bonds in lieu of or in substitution for which other Series 2016 Bonds shall have been executed, issued and delivered by the City pursuant to this Indenture or any Parity Bonds Instrument.

"Owner" or "Bond Owner" or "Bondowner", when used with respect to any Series 2016 Bond, means the person in whose name the ownership of such Bond shall be registered on the Bond Registration Books.

"Parity Bonds" means all bonds, notes or other obligations (including without limitation long-term contracts, loans, sub-leases or other legal financing arrangements) of the City payable from and secured by a pledge of and lien upon any of the Net Revenues issued or incurred pursuant to Section 3.05.



"Parity Bonds Instrument" means the resolution, trust indenture or installment sale agreement adopted, entered into or executed and delivered by the City, and under which Parity Bonds are issued.

"Participating Underwriter" has the meaning ascribed thereto in the Continuing Disclosure Certificate.

"Principal Corporate Trust Office" means the corporate trust office of the Trustee at the address set forth in Section 9.10, provided that for purposes of payment, cancellation, surrender, redemption, exchange and transfer of Series 2016 Bonds, such term means the designated corporate trust operations or agency office of the Trustee or such other or additional offices as may be designated by the Trustee from time to time.

"Principal Installment" means with respect to any particular Principal Payment Date, an amount equal to the sum of (i) the aggregate principal amount of outstanding Serial Bonds payable on such Principal Payment Date as determined by the applicable Parity Bonds Instrument (but not including Sinking Fund Installments) and (ii) the aggregate of Sinking Fund Installments with respect to all outstanding Term Bonds payable on such Principal Payment Date as determined hereby and by the applicable Parity Bonds Instrument.

"Principal Payment Date" means August 1.

"Project Costs" means, with respect to any Improvements financed with proceeds of the Series 2016 Bonds, all costs of the acquisition, construction and installation thereof which are paid from moneys on deposit in the Improvement Fund, including but not limited to:

(a) all costs required to be paid to any person under the terms of any agreement for or relating to the acquisition, construction and installation of the Improvements;

(b) obligations incurred for labor and materials in connection with the acquisition, construction and installation of the Improvements;

(c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the acquisition, construction and installation of the Improvements;

(d) all costs of engineering and architectural services, including the actual out-of-pocket costs for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the Improvements;

(e) any sums required to reimburse the City for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the acquisition, construction and installation of the Improvements;

(f) all costs of issuing the Series 2016 Bonds and other financing costs incurred in connection with the acquisition, construction and installation of the Improvements; and

(g) the interest components of the debt service on the Series 2016 Bonds allocable to the Improvements or any component thereof, which come due during the period of acquisition, construction and installation of the Improvements or such component.

"Qualified Surety Bond" means any irrevocable standby or direct-pay letter of credit, insurance policy or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to this Indenture, provided that all of the following

requirements are met at the time of acceptance thereof by the Trustee: (a) the long-term credit rating of such bank or insurance company is "A" or better from at least one rating agency; (b) such letter of credit or surety bond has a term of at least twelve (12) months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to Section 4.05(b); and (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Debt Service Fund for the purpose of making payments on the Series 2016 Bonds required pursuant to Section 4.04.

"Rate Stabilization Account" means the Rate Stabilization Account established and maintained within the City's Solid Waste and Materials Diversion Fund pursuant to Section 4.09.

"Rating Agency" means, as of any date, each of the following rating agencies which then maintains a rating on any of the Bonds: (a) Moody's and (b) S&P.

"Record Date" means, with respect to the Series 2016 Bonds, the fifteenth (15th) calendar day of the month immediately preceding an Interest Payment Date or, with respect to any Parity Bonds, any other date established in the applicable Parity Bonds Instrument.

"Redemption Account" means the Account by that name established and held by the Trustee pursuant to Section 4.03.

"Redemption Price" means, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to this Indenture and the Parity Bonds Instrument pursuant to which the same was issued.

"Request of the City" means a request in writing signed by an Authorized Officer.

"Reserve Account" means the Account by that name established and held by the Trustee pursuant to this Indenture.

"Reserve Requirement" means an amount equal to the maximum amount of annual debt service coming due and payable on the Series 2016 Bonds in the current or any future Bond Year.

"S&P" means Standard & Poor's Corporation, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Serial Bonds" means all Bonds other than Term Bonds.

"Series" when used with respect to less than all of the Bonds, means and refers to all of the Bonds delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate or other provisions, and any Bond thereafter delivered in lieu of or substitution for any of such Bonds.

"Series 2016 Bonds" means the City of Napa Solid Waste Revenue Bonds, Series 2016 (Federally Taxable) Napa Materials Diversion Facility [(Green Bonds)], issued and at any time Outstanding hereunder.

"Sinking Fund Installment" means, with respect to any particular date, the amount of money required by this Indenture or by or pursuant to a Parity Bonds Instrument to be paid by

the City on such date toward the retirement of any particular Term Bonds prior to their respective stated maturities.

“Solid Waste” means solid waste generated by residents and commercial and industrial entities in the City, including refuse and recyclables.

“Solid Waste and Materials Diversion Fund” means the enterprise fund of that name established and held by the City for the Solid Waste System.

“Solid Waste System” means the existing solid waste collection, recycling and disposal system of the City, comprising all facilities for the collection, disposal or recycling of Solid Waste in the City.

“State” means the State of California.

“Subordinate Bonds” means all bonds, notes or other obligations (including without limitation long-term contracts, loans, sub-leases or other legal financing arrangements) of the City payable from and secured by a pledge of and lien upon any of the Net Revenues issued or incurred pursuant to Section 3.06.

“Subordinate Bonds Instrument” means the resolution, trust indenture or installment sale agreement adopted, entered into or executed and delivered by the City, and under which Subordinate Bonds are issued.

“Supplemental Indenture” means any supplement or amendment to this Indenture which complies with the provisions of Section 7.01 or 7.02.

“Term Bonds” means, with respect to any Series 2016 Bonds or any Parity Bonds, such Series 2016 Bonds or Parity Bonds which are payable prior to their stated maturity by operation of Sinking Fund Installments.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., appointed by the City to act as trustee hereunder pursuant to Section 6.01, and its assigns or any other corporation or association which may at any time be substituted in its place, as provided in Section 6.01.

**SECTION 1.02. Rules of Construction.** All references in this Indenture to “Articles,” “Sections,” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; and the words “herein,” “hereof,” “hereunder,” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons.

**SECTION 1.03. Authorization and Purpose of Series 2016 Bonds.** The City has reviewed all proceedings heretofore taken relative to the authorization of the Series 2016 Bonds and has found, as a result of such review, and hereby finds and determines that all things, conditions, and acts required by law to exist, happen and/ or be performed precedent to and in the issuance of the Series 2016 Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the City is now authorized, as an exercise of the municipal affairs power of the City as a chartered city under the constitution and laws of the State and pursuant to the Bond Law and each and every requirement of law, to issue the Series 2016 Bonds in the manner and form provided in this Indenture. Accordingly, the City hereby

authorizes the issuance of the Series 2016 Bonds pursuant to the Bond Law and this Indenture for the purposes specified in this Indenture.

SECTION 1.04. Equal Security. In consideration of the acceptance of the Series 2016 Bonds by the Owners thereof, this Indenture shall be deemed to be and shall constitute a contract among the City, the Trustee and the Owners from time to time of the Series 2016 Bonds; and the covenants and agreements herein set forth to be performed on behalf of the City shall be for the equal and proportionate benefit, security and protection of all Owners of the Series 2016 Bonds without preference, priority or distinction as to security or otherwise of any of the Series 2016 Bonds over any of the others by reason of the number or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

**ARTICLE II**  
**ISSUANCE OF SERIES 2016 BONDS**

**SECTION 2.01. Terms of Series 2016 Bonds.** The Series 2016 Bonds authorized to be issued by the City under and subject to the Bond Law and the terms of this Indenture shall be designated the “City of Napa Solid Waste Revenue Bonds, Series 2016 (Federally Taxable) Napa Materials Diversion Facility) [(Green Bonds)]”, and shall be issued in the original principal amount of \_\_\_\_\_ Dollars (\$[Principal Amount]).

The Series 2016 Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Series 2016 Bond shall have more than one maturity date. The Series 2016 Bonds shall mature on August 1 in each of the years and in the amounts, and shall bear interest at the rates, as follows:

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u> <u>Per Annum</u>
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Interest on the Series 2016 Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Bond Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check or draft of the Trustee mailed by first class mail to the Owner or, at the option of any Owner of at least \$1,000,000 aggregate principal amount of the Series 2016 Bonds with respect to which written instructions have been filed with the Trustee prior to the Record Date, by wire transfer, at the address of such Owner as it appears on the Bond Registration Books. In the event there exists a default in payment of interest due on such Interest Payment Date, such interest shall be payable on a payment date established by the Trustee to the persons in whose names the Bonds are registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Trustee to the registered Owners of the Bonds not less than 15 days preceding such special record date. Principal of and premium (if any) on any Series 2016 Bond shall be paid upon presentation and surrender thereof at the Principal Corporate Trust Office of the Trustee. Both the principal of and interest and premium (if any) on the Series 2016 Bonds shall be payable in lawful money of the United States of America.

The Series 2016 Bonds shall be dated the Closing Date and bear interest based on a 360-day year comprised of twelve 30-day months from the Interest Payment Date next preceding the date of authentication thereof, unless said date of authentication is an Interest Payment Date, in which event such interest is payable from such date of authentication, and unless said date of authentication is prior to January 15, 2017, in which event such interest is payable from the Closing Date; provided, however, that if, as of the date of authentication of any Series 2016 Bond, interest thereon is in default, such Series 2016 Bond shall bear interest from the date to which interest has previously been paid or made available for payment thereon in full.

**SECTION 2.02. Redemption of Series 2016 Bonds.**

(a) Optional Redemption. The Series 2016 Bonds maturing on or after August 1, 20\_\_, shall be subject to redemption prior to their respective maturity dates, as a whole or in part, at the option of the City, on any date occurring on or after August 1, 20\_\_, at the Redemption Price equal to the principal amount of the Series 2016 Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

The City shall be required to give the Trustee written notice of its intention to redeem Bonds under this subsection (a) and of the maturities selected for redemption at least 45 days prior to the date fixed for redemption (or such later date as shall be acceptable to the Trustee).

(b) Mandatory Sinking Fund Redemption.

The Term Bonds maturing on August 1, 20\_\_ shall also be subject to mandatory redemption in part, by lot, on August 1 in each year commencing August 1, 20\_\_, from sinking fund payments made by the City to the Debt Service Fund pursuant to Section 4.03(b), at a Redemption Price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on August 1 in the respective years as set forth in the following table.

**Bonds Maturing August 1, 20\_\_**

<u>Year</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>
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The Term Bonds maturing August 1, 20\_\_ shall also be subject to mandatory redemption in part, by lot, on August 1 in each year commencing August 1, 20\_\_, from sinking fund payments made by the City to the Debt Service Fund pursuant to Section 4.03(b), at a Redemption Price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on August 1 in the respective years as set forth in the following table.

**Term Bonds Maturing August 1, 20\_\_**

<u>Year</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>
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If some but not all of the Term Bonds have been redeemed under subsection (a) of this Section, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the City to the Trustee).

(c) Parity Bonds. Any Parity Bonds issued pursuant to Section 3.05 of this Indenture may be made subject to redemption prior to maturity, as a whole or in part, at such time or times, and upon payment of the principal amount thereof and accrued interest thereon plus such premium or premiums, if any, as may be determined by the City in the applicable Parity Bonds Instrument.

(d) Notice of Redemption. Unless waived by any Owner of Series 2016 Bonds to be redeemed, notice of any redemption of Series 2016 Bonds shall be given, at the expense of the City, by the Trustee by mailing a copy of a redemption notice by first class mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Owner of the Series 2016 Bond or Bonds to be redeemed at the address shown on the Bond Registration Books; provided, that neither the failure to receive such notice nor any immaterial defect in any notice shall affect the sufficiency of the proceedings for the redemption of the Series 2016 Bonds.

(e) Contents of Notice. All notices of redemption shall be dated and shall state:

(i) the redemption date,

(ii) the Redemption Price,

(iii) if fewer than all outstanding Series 2016 Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Series 2016 Bonds to be redeemed,

(iv) that on the redemption date the Redemption Price will become due and payable with respect to each such Series 2016 Bond or portion thereof called for redemption, and that interest with respect thereto shall cease to accrue from and after said date,

(v) the place or places where such Series 2016 Bonds are to be surrendered for payment of the Redemption Price, which places of payment may include the Principal Corporate Trust Office of the Trustee, and

(vi) the CUSIP number of the Series 2016 Bonds to be redeemed.

Such redemption notices may state that no representation is made as to the CUSIP number printed therein or on the Series 2016 Bonds. Such redemption notices may be conditional. The City shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of optional redemption shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the outstanding Series 2016 Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under this Indenture. The City and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

(f) Deposit of Money. At least one (1) day prior to any redemption date, the City shall deposit with the Trustee an amount of money sufficient to pay the Redemption Price of all the Series 2016 Bonds or portions of Series 2016 Bonds which are to be redeemed on that date.

(g) Consequences of Notice. Notice of redemption having been given as aforesaid, the Series 2016 Bonds or portions of Series 2016 Bonds so to be redeemed shall, on the redemption date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the City shall default in the payment of the Redemption Price) such Series 2016 Bonds or portions of Series 2016 Bonds shall cease to have interest accrue thereon. Upon surrender of such Series 2016 Bonds for redemption in accordance with said notice, such Series 2016 Bonds shall be paid by the Trustee at the Redemption Price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the Owner a new Series 2016 Bond or Series 2016 Bonds of the same maturity in the amount of the unredeemed principal. All Bonds that have been redeemed shall be cancelled and destroyed by

the Trustee and shall not be redelivered. Neither the failure of any Bond Owner to receive any notice so mailed nor any defect therein shall affect the sufficiency of the proceedings for redemption of any Bonds nor the cessation of accrual of interest thereon.

(h) Additional Notice. In addition to the foregoing notice, further notice shall be given by the Trustee as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed:

(i) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Bonds being redeemed; (B) the stated interest rate with respect to each Series 2016 Bond being redeemed; (C) the maturity date of each Series 2016 Bond being redeemed; and (D) any other descriptive information needed to identify accurately the Series 2016 Bonds being redeemed.

(ii) Each further notice of redemption shall be sent at least 35 days before the redemption date by registered or certified mail or overnight delivery service to all registered securities depositories then in the business of holding substantial amounts of instruments of types comprising the Bonds, and, on the date notice is mailed to Bond Owners, to one or more Information Services.

(iii) Upon the payment of the Redemption Price of the Series 2016 Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Series 2016 Bonds being redeemed with the proceeds of such check or other transfer.

(i) Partial Redemption of Bonds. In the event only a portion of any Series 2016 Bond is called for redemption, then upon surrender of such Series 2016 Bond redeemed in part only, the City shall execute and the Trustee shall authenticate and deliver to the Owner, at the expense of the City, a new Series 2016 Bond or Series 2016 Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Series 2016 Bond or Series 2016 Bonds.

(j) Manner of Redemption. Whenever any Series 2016 Bonds are to be selected for redemption, the Trustee shall determine, by lot, the numbers of the Series 2016 Bonds to be redeemed, and shall notify the City thereof.

SECTION 2.03. Form of Series 2016 Bonds. The Series 2016 Bonds, the Trustee's certificate of authentication, and the assignment to appear thereon, shall be substantially in the respective forms set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

SECTION 2.04. Execution of Series 2016 Bonds. The Series 2016 Bonds shall be signed in the name and on behalf of the City with the manual or facsimile signatures of its Mayor and attested by the manual or facsimile signature of its City Clerk under the seal of the City. Such seal may be in the form of a facsimile of the City's seal and shall be imprinted or impressed upon the Series 2016 Bonds. The Series 2016 Bonds shall then be delivered to the Trustee for authentication by it. In case any officer who shall have signed any of the Series 2016 Bonds shall cease to be such officer before the Series 2016 Bonds so signed shall have been authenticated or delivered by the Trustee or issued by the City, such Series 2016 Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the City as though the individual who signed the same had continued to be such officer of the City. Also, any Series 2016 Bond may be signed on behalf of the City by any individual who on the actual date of the execution of such Series 2016 Bond



shall be the proper officer although on the nominal date of such Series 2016 Bond such individual shall not have been such officer.

Only such of the Series 2016 Bonds as shall bear thereon a certificate of authentication in substantially the form set forth in Exhibit A, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that the Series 2016 Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

**SECTION 2.05. Transfer of Series 2016 Bonds.** Any Series 2016 Bond may, in accordance with its terms, be transferred upon the Bond Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Series 2016 Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Series 2016 Bond shall be surrendered for transfer, the City shall execute and the Trustee shall thereupon authenticate and deliver to the transferee a new Bond or Bonds of like tenor, maturity and aggregate principal amount. No Series 2016 Bonds the notice of redemption of which has been mailed pursuant to Section 2.02(d) shall be subject to transfer pursuant to this Section.

**SECTION 2.06. Exchange of Series 2016 Bonds.** Series 2016 Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee, for Series 2016 Bonds of the same tenor and maturity and of other authorized denominations. No Series 2016 Bonds the notice of redemption of which has been mailed pursuant to Section 2.02(d) shall be subject to exchange pursuant to this Section.

**SECTION 2.07. Temporary Bonds.** The Series 2016 Bonds may be issued initially in temporary form exchangeable for definitive Series 2016 Bonds when ready for delivery. The temporary Series 2016 Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the City and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Series 2016 Bond shall be executed by the City and be registered and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Series 2016 Bonds. If the City issues temporary Series 2016 Bonds, it will execute and furnish definitive Series 2016 Bonds without delay, and thereupon the temporary Series 2016 Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Corporate Trust Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Series 2016 Bonds an equal aggregate principal amount of definitive Series 2016 Bonds of authorized denominations. Until so exchanged, the temporary Series 2016 Bonds shall be entitled to the same benefits under this Indenture as definitive Series 2016 Bonds authenticated and delivered hereunder.

**SECTION 2.08. Bond Registration Books.** The Trustee will keep or cause to be kept at its trust office sufficient Bond Registration Books for the registration and transfer of the Series 2016 Bonds, which shall at all times during regular business hours, and upon reasonable notice, be open to inspection by the City; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Series 2016 Bonds as hereinbefore provided.

**SECTION 2.09. Bonds Mutilated, Lost, Destroyed or Stolen.** If any Series 2016 Bond shall become mutilated, the City, at the expense of the Owner of said Series 2016 Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Series 2016 Bond of like maturity and principal amount in exchange and substitution for the Series 2016 Bond so mutilated, but only upon surrender to the Trustee of the Series 2016 Bond so mutilated. Every mutilated Series 2016 Bond so surrendered to the Trustee shall be cancelled by it and delivered to, or upon the order of, the City. If any Series 2016 Bond issued hereunder shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the City and the Trustee and, if such evidence be satisfactory to them and indemnity satisfactory to them shall be given, the City, at the expense of the Series 2016 Bond Owner, shall execute, and the

Trustee shall thereupon authenticate and deliver, a new Series 2016 Bond of like maturity and principal amount in lieu of and in substitution for the Series 2016 Bond so lost, destroyed or stolen (or if any such Series 2016 Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Series 2016 Bond the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee). The City may require payment of a reasonable fee for each new Series 2016 Bond issued under this Section and of the expenses which may be incurred by the City and the Trustee. Any Series 2016 Bond issued under the provisions of this Section in lieu of any Series 2016 Bond alleged to be lost, destroyed or stolen shall constitute an original contractual obligation on the part of the City whether or not the Series 2016 Bond alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Series 2016 Bonds secured by this Indenture.

SECTION 2.10. Payment Procedure Pursuant to Municipal Bond Insurance Policy

[to come, if applicable]

SECTION 2.11. Book Entry System.

(a) Original Delivery. The Series 2016 Bonds shall be initially delivered in the form of a separate single fully registered Series 2016 Bond (which may be typewritten) for each maturity of the Series 2016 Bonds. Upon initial delivery, the ownership of each such Series 2016 Bond shall be registered on the Series 2016 Bond Registration Books maintained by the Trustee pursuant to Section 2.08 hereof in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Series 2016 Bonds shall be registered in the name of the Nominee on such Series 2016 Bond Registration Books.

With respect to Series 2016 Bonds the ownership of which shall be registered in the name of the Nominee, the City and the Trustee shall have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the City holds an interest in the Series 2016 Bonds. Without limiting the generality of the immediately preceding sentence, the City and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Series 2016 Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Series 2016 Bond Owner as shown in the Registration Books, of any notice with respect to the Series 2016 Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Series 2016 Bonds to be redeemed in the event the City elects to redeem the Series 2016 Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Series 2016 Bond Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest represented by the Series 2016 Bonds or (v) any consent given or other action taken by the Depository as Owner of the Series 2016 Bonds. The City and the Trustee may treat and consider the person in whose name each Series 2016 Bond is registered as the absolute owner of such Series 2016 Bond for the purpose of payment of principal, premium, if any, and interest represented by such Series 2016 Bond, for the purpose of giving notices of redemption and other matters with respect to such Series 2016 Bond, for the purpose of registering transfers of ownership of such Series 2016 Bond, and for all other purposes whatsoever. The Trustee shall pay the principal, interest and premium, if any, represented by the Series 2016 Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal, interest and premium, if any, represented by the Series 2016 Bonds to the extent of the sum or sums so paid. No person other than a Series 2016 Bond Owner shall receive a Series 2016 Bond evidencing the obligation of the City to make payments of principal, interest and premium, if any, pursuant to this Trust Indenture. Upon delivery by the Depository to the Nominee of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, such new nominee

shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the City shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Series 2016 Bonds for the Depository's book-entry system, the City shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Series 2016 Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the City or the Trustee any obligation whatsoever with respect to persons having interests in the Series 2016 Bonds other than the Series 2016 Bond Owners. Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the City may take any other actions, not inconsistent with this Trust Indenture, to qualify the Series 2016 Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. In the event that either (i) the Depository determines not to continue to act as Depository for the Series 2016 Bonds, or (ii) the City determines to terminate the Depository as such, then the City shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the City and the Trustee in the execution of replacement Series 2016 Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Series 2016 Bonds, and by surrendering the Series 2016 Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Series 2016 Bonds are to be issued. The Depository, by accepting delivery of the Series 2016 Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the City fails to identify another Securities Depository to replace the Depository, then the Series 2016 Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Series 2016 Bonds shall designate, in accordance with the provisions hereof.

In the event the City determines that it is in the best interests of the beneficial owners of the Series 2016 Bonds that they be able to obtain certificated Series 2016 Bonds, the City may notify the Depository System Participants of the availability of such certificated Series 2016 Bonds through the Depository. In such event, the Trustee will execute, transfer and exchange Series 2016 Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the City shall cooperate with the Depository in taking appropriate action (y) to make available one or more separate certificates evidencing the Series 2016 Bonds to any Depository System Participant having Series 2016 Bonds credited to its account with the Depository, or (z) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Series 2016 Bonds, all at the City's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Trust Indenture to the contrary, so long as any Series 2016 Bond is registered in the name of the Nominee, all payments with respect to principal, interest and premium, if any, represented by such Series 2016 Bond and all notices with respect to such Series 2016 Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

## ARTICLE III

### ISSUE OF SERIES 2016 BONDS; PARITY BONDS

SECTION 3.01. Issuance of Series 2016 Bonds. Upon the execution and delivery of this Indenture, the City shall execute and deliver Series 2016 Bonds in the aggregate principal amount of \_\_\_\_\_ Dollars (\$[Principal Amount]) to the Trustee for authentication and delivery to the Original Purchaser thereof upon the Request of the City.

SECTION 3.02. Application of Proceeds of Sale of Series 2016 Bonds. Upon the receipt of payment for the Series 2016 Bonds on the Closing Date, the Trustee shall deposit the proceeds of sale thereof in the Bond Proceeds Fund which the Trustee shall establish and maintain hereunder, and shall further apply the proceeds in the Bond Proceeds Fund as follows:

- (a) the Trustee shall deposit \$\_\_\_\_\_ into the Cost of Issuance Fund;
- (b) the Trustee shall deposit \$\_\_\_\_\_ into the Improvement Fund; and
- (c) the Trustee shall deposit \$\_\_\_\_\_ into the Reserve Account (which is equal to the initial Reserve Requirement).

SECTION 3.03. Improvement Fund. The Trustee will establish and maintain a separate fund to be known as the Improvement Fund into which the Trustee shall deposit a portion of the proceeds of sale of the Series 2016 Bonds as set forth in Section 3.02. Except as otherwise provided herein, moneys in the Improvement Fund will be used solely for the payment of the Project Costs. Upon receipt of a Certificate of the City (in substantially the form attached hereto as Exhibit B) detailing the purposes for which any amounts requisitioned from the Improvement Fund will be used, the Trustee will disburse moneys in the Improvement Fund to the City in the amount requested. The Trustee has no responsibility for payments made in accordance with this Section 3.03. The City shall maintain copies of any Certificates of the City requisitioning moneys from the Improvement Fund and accurate records showing the purposes for which moneys requisitioned from the Improvement Fund were used.

Upon the determination by the City that no further amounts are intended to be requisitioned from the Improvement Fund, the Trustee shall thereupon close the Improvement Fund and transfer all remaining amounts to the Debt Service Fund for the payment of interest on the Series 2016 Bonds. If and to the extent so directed in a Certificate of the City, the Trustee shall transfer moneys in the Improvement Fund to the Redemption Account for the redemption of the Series 2016 Bonds under Section 2.02(a).

SECTION 3.04. Cost of Issuance Fund. There is hereby created a fund to be known as the "City of Napa Solid Waste Revenue Bonds, Series 2016 Cost of Issuance Fund" (the "Cost of Issuance Fund"), which the City hereby covenants and agrees to cause to be maintained and which shall be held in trust by the Trustee. The moneys in the Cost of Issuance Fund shall be used in the manner provided by law solely for the purpose of the payment of Costs of Issuance upon receipt by the Trustee of Requests of the City therefor, on or after the Closing Date. Any funds remaining in the Cost of Issuance Fund on December 1, 2016, shall be transferred by the Trustee to the Debt Service Fund.

SECTION 3.05. Issuance of Parity Bonds. In addition to the Series 2016 Bonds, the City may, by Parity Bonds Instrument, issue or incur other loans, advances or indebtedness payable from Net Revenues, to provide financing for the Solid Waste System, in such principal amount as shall be determined by the City. The City may issue or incur any such Parity Bonds subject to the following specific conditions which are hereby made conditions precedent to the issuance and delivery of such Parity Bonds:

(a) The City shall be in compliance with all covenants set forth in this Indenture, unless any non-compliance will be cured as a result of the issuance of the Parity Bonds.

(b) The Net Revenues of the Solid Waste System (excluding any amounts derived from a Rate Stabilization Fund), calculated in accordance with sound accounting principles, as shown by the books of the City for the most recent completed Fiscal Year for which audited financial statements of the City are available, or for any more recent consecutive 12 month period selected by the City, in either case verified by an Independent Accountant or an Independent Consultant or shown in the audited financial statements of the City, plus (at the option of the City) any Additional Revenues, are at least equal to 125% of maximum scheduled Debt Service for the current or any future Bond Year (taking into account the Parity Bonds then proposed to be issued); provided, however, that in the event that all or a portion of the Parity Bonds being issued are to be issued for the purpose of refunding and retiring all or a portion of the unpaid Bonds, then the Debt Service on the Bonds to be so refunded and retired from the proceeds of such Parity Bonds being issued shall be excluded from the foregoing computation of maximum scheduled Debt Service; provided further, however, that the City may at any time enter into or incur Parity Bonds without compliance with the foregoing condition if the aggregate annual Debt Service for all Bonds for each Bond Year during which such Parity Bonds being issued will be outstanding will not be increased by reason of the entry into or incurrence of such Parity Bonds.

(c) The Parity Bonds Instrument providing for the issuance of such Parity Bonds under this Section 3.05 shall provide that:

(i) The proceeds of such Parity Bonds shall be applied to the acquisition, construction, improvement, financing or refinancing of additional facilities, improvements or extensions of existing facilities within the Solid Waste System, or otherwise for facilities, improvements or property that the City determines are of benefit to the Solid Waste System, or for the purpose of refunding any Bonds in whole or in part, including all costs (including costs of issuing such Parity Bonds and including capitalized interest on such Parity Bonds during any period which the City deems necessary or advisable) relating thereto;

(ii) interest on the Parity Bonds shall be payable on an Interest Payment Date and principal on the Parity Bonds shall be payable on a Principal Payment Date; and

(iii) Money or a Qualified Surety Bond may (but is not required to) be deposited in a reserve account for such Parity Bonds from the proceeds of the sale of such Parity Bonds or otherwise in an amount defined in the Parity Bonds Instrument.

**SECTION 3.06. Subordinate Bonds.** Nothing in this Indenture shall prohibit or impair the authority of the City from issuing bonds or other obligations secured by a lien on Net Revenues which is subordinate to the lien established hereunder, upon such terms and in such principal amounts as the City may determine; provided, that the City must satisfy the following specific conditions which are hereby made conditions precedent to the issuance and delivery of such Subordinate Bonds:

(a) The City shall be in compliance with all covenants set forth in this Indenture, unless any non-compliance will be cured as a result of the issuance of the Subordinate Bonds.

(b) The Subordinate Bonds Instrument providing for the issuance of such Subordinate Bonds under this Section 3.06 shall provide that the proceeds of such

Subordinate Bonds shall be applied to the acquisition, construction, improvement, financing or refinancing of additional facilities, improvements or extensions of existing facilities within the Solid Waste System, or otherwise for facilities, improvements or property that the City determines are of benefit to the Solid Waste System, or for the purpose of refunding any Bonds or Subordinate Bonds in whole or in part, including all costs (including costs of issuing such Subordinate Bonds and including capitalized interest on such Subordinate Bonds during any period which the City deems necessary or advisable) relating thereto.

**SECTION 3.07. Validity of Bonds.** The validity of the authorization and issuance of the Bonds shall not be affected in any way by any proceedings taken by the City in connection with the Solid Waste System, and the recital contained in the Bonds that the same are issued pursuant to the Bond Law shall be conclusive evidence of their validity and of the regularity of their issuance.

## ARTICLE IV

### PLEDGE OF NET REVENUES; FUNDS AND ACCOUNTS

#### SECTION 4.01. Pledge of Net Revenues.

(a) The City hereby transfers, places a charge upon, assigns and sets over to the Trustee, for the benefit of the Owners of the Series 2016 Bonds and any Parity Bonds, that portion of the Net Revenues that is necessary to pay the principal or Redemption Price of and interest on the Bonds in any Fiscal Year.

In addition, the City hereby transfers, places a charge upon, assigns and sets over to the Trustee, for the benefit of the Owners of the Series 2016 Bonds, all moneys on deposit in the Debt Service Fund.

The Gross Revenues shall be used only for the purposes set forth in this Indenture while any of the Bonds remain outstanding.

The pledge described in this Section 4.01(a) shall constitute a first, direct and exclusive charge and lien on the Net Revenues and the moneys in the Debt Service Fund, as applicable, in accordance with the terms of this Indenture.

(b) The Net Revenues constitute a trust fund for the security and payment of the principal or Redemption Price of and interest on the Bonds. 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 Bonds. The Owner of the Bonds shall not compel the exercise of the taxing power by the City or the forfeiture of its property. The principal or Redemption Price of and interest on the Bonds 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 4.02. Receipt, Deposit and Application of Gross Revenues. (a) The City covenants and agrees that all Gross Revenues, when and as received, will be held by the City in the Solid Waste and Materials Diversion Fund, and will be deposited by the City, or caused to be deposited, in the Solid Waste and Materials Diversion Fund, and will be accounted for through and held in trust in the Solid Waste and Materials Diversion Fund, and the City shall only have such beneficial right or interest in any of such money as provided in this Indenture. All such Gross Revenues shall be transferred, disbursed, allocated and applied solely to the uses and purposes hereinafter in this Article set forth, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the City and the Contractor.

(b) The City hereby covenants to hold the Solid Waste and Materials Diversion Fund in trust for the benefit of the Owners of the Bonds. For purposes of record-keeping, the City may establish and maintain separate accounts within the Solid Waste and Materials Diversion Fund.

(c) Gross Revenues deposited in the Solid Waste and Materials Diversion Fund shall be applied by the City to pay the following amounts when due, in the following order of priority:

(i) to pay Maintenance and Operation Costs;

(ii) no later than the fifth (5<sup>th</sup>) Business Day preceding each Interest Payment Date and Principal Payment Date, to transfer to the Trustee for deposit in the Debt Service Fund held by the Trustee an amount sufficient to pay Debt Service on the Series 2016 Bonds and any Parity Bonds (in the event of a shortfall,

amounts shall be used to pay Debt Service on the Series 2016 Bonds and any Parity Bonds on a pro rata basis based on the amounts required to be deposited;

(iii) to transfer to the Trustee for deposit in the Reserve Account held by the Trustee and to transfer as required to make a deposit into a debt service reserve fund (if any) for any Parity Bonds issued under a Parity Bonds Instrument an amount necessary to (A) bring the funds then on hand in the Reserve Account to the Reserve Requirement and (B) bring the funds then on hand in the debt service reserve fund (if any) for any Parity Bonds to its required level (in the event of a shortfall, amounts shall be transferred to deposit into the Reserve Account and such other debt service reserve fund on a pro rata basis based on the amounts required to be deposited); and

(iv) to pay for any lawful purpose of the Solid Waste System.

SECTION 4.03. Establishment of Funds and Accounts and Allocation of Net Revenues Thereof. The Debt Service Fund, as a special fund, and the Reserve Account, as a special account therein, are hereby created and the Redemption Account shall be created when needed.

The Debt Service Fund, and the Redemption Account and Reserve Account therein, shall be held and maintained by the Trustee.

(a) Debt Service Fund. Moneys will be deposited into the Debt Service Fund as set forth in Section 4.02. Moneys in the Debt Service Fund shall be applied as set forth in Section 4.04. All interest earnings and profits or losses on the investment of amounts in the Debt Service Fund shall be deposited in or charged to the Debt Service Fund and applied to the purposes thereof. No transfer and deposit need be made into the Debt Service Fund if the amount contained therein, taking into account investment earnings and profits, is at least equal to the Interest Requirement or Principal Installments to become due on the next Interest Payment Date or Principal Payment Date upon all Outstanding Bonds.

(b) Reserve Account. On the Closing Date, the Trustee shall deposit into the Reserve Account the amount required to be deposited therein pursuant to Section 3.02. Thereafter, moneys will be deposited into the Reserve Account as set forth in Section 4.02.

Moneys deposited into the Reserve Account pursuant to Section 4.02 will be applied in the following priority: (i) principal and interest on the Qualified Surety Bond will be paid from first available Net Revenues, and (ii) after all such amounts are paid in full, amounts necessary to fund the Reserve Account to the Reserve Requirement, after taking into account the amounts available under the Qualified Surety Bond, shall be deposited from next available Net Revenues.

Moneys in the Reserve Account shall be applied as set forth in Section 4.05.

SECTION 4.04. Application of Debt Service Fund.

(a) The Trustee shall withdraw from the Debt Service Fund, prior to each Interest Payment Date, an amount equal to the Interest Requirement on the Series 2016 Bonds payable on such Interest Payment Date, and shall cause the same to be applied to the payment of said interest when due and is hereby authorized to apply the same to the payment of such interest by check or draft (or by wire transfer, as the case may be), as provided in Section 2.01.

(b) The Trustee shall withdraw from the Debt Service Fund, prior to each Principal Payment Date, an amount equal to the principal amount of the outstanding Series 2016 Bonds that are Serial Bonds, if any, maturing on said Principal Payment Date and any Sinking Fund Installments due and payable with respect to any Term Bonds that are Series 2016 Bonds on said Principal Payment Date, and shall cause the same to be applied to the payment of the



principal of said Series 2016 Bonds when due and is hereby authorized to apply the same to such payment upon presentation and surrender of the Series 2016 Bonds as they become due and payable, as provided in Section 2.01.

(c) All withdrawals and transfers under the provisions of subsection (a) or subsection (b) of this Section shall be made not earlier than one (1) day prior to the Interest Payment Date or Principal Payment Date to which they relate, and the amount so withdrawn or transferred shall, for the purposes of this Indenture, be deemed to remain in and be part of the appropriate Account until such Interest Payment Date or Principal Payment Date.

#### SECTION 4.05. Application of Reserve Account.

(a) In General. An amount equal to the Reserve Requirement in the form of either cash or a Qualified Surety Bond shall be maintained in the Reserve Account at all times. Any deficiency therein shall be replenished from available Net Revenues pursuant to Section 4.03(c).

If at any time there shall not be sufficient amounts in the Debt Service Fund to pay Principal Installments or Redemption Price of or interest on the Series 2016 Bonds when due, the Trustee shall provide notice of such insufficiency to the City, and apply the amounts then on hand in the Reserve Account to pay into the appropriate Fund or Account the amount of the deficiency. Any amounts in the Reserve Account in excess of the Reserve Requirement (whether derived from interest or gain on investments or otherwise) shall, as available, but not more frequently than monthly, be transferred by the Trustee to the Debt Service Fund. In the event amounts on hand in the Reserve Account equal or exceed remaining Debt Service on the Series 2016 Bonds, the Trustee shall apply the funds on hand in the Reserve Account to the payment of Debt Service on the Series 2016 Bonds, on behalf of the City.

(b) Qualified Surety Bond. In the event the City satisfies the Reserve Requirement by delivering to the Trustee a Qualified Surety Bond, such Qualified Surety Bond, and any subsequent Qualified Surety Bond, shall provide that the Trustee is entitled to draw amounts thereunder when required by the provisions of this Indenture to make transfers from the Reserve Account to the Debt Service Fund to pay debt service on the Series 2016 Bonds in the event of a deficiency in any such account, provided that, in any such event, the Trustee shall first apply to any such deficiency the amount of cash (including cash represented by investments) then on deposit in the Reserve Account.

(c) Cash to the City. To the extent that the Reserve Requirement has been satisfied by delivery of a Qualified Surety Bond under Section 4.05(b), any cash or Authorized Investments on deposit in the Reserve Account shall be transferred by the Trustee to the City.

SECTION 4.06. Application of Redemption Account. On or before the date which is at least two (2) Business Days prior to any Interest Payment Date on which Series 2016 Bonds are subject to redemption pursuant to Section 2.02(a) or on which any Parity Bonds are subject to optional redemption pursuant to the provisions of the Parity Bonds Instrument authorizing such Parity Bonds, the City shall transfer from the Solid Waste and Materials Diversion Fund to the Trustee for deposit in the Redemption Account an amount at least equal to the Redemption Price (excluding accrued interest, which is payable from the Debt Service Fund) of such Bonds to be redeemed on such Interest Payment Date. Amounts in the Redemption Account shall be applied by the Trustee solely for the purpose of paying the Redemption Price of Series 2016 Bonds to be redeemed pursuant to Section 2.02 (a). If, after all of the Bonds have been paid or deemed to have been paid, there are moneys remaining in the Redemption Account, such moneys shall be transferred by the Trustee to the City for deposit in the Solid Waste and Materials Diversion Fund.

SECTION 4.07. Investments. All moneys in the Solid Waste and Materials Diversion Fund and Rate Stabilization Fund may be invested by the City from time to time in any investments authorized by law, consistent with the City's investment policy.

All moneys in the Debt Service Fund, Improvement Fund and Cost of Issuance Fund or any other moneys held by the Trustee hereunder shall be invested by the Trustee solely in Authorized Investments, as directed pursuant to a Request of the City. In the absence of any such Request of the City, the Trustee shall hold any such amounts uninvested. Obligations purchased as an investment of moneys in any Fund or Account shall be deemed to be part of such Fund or Account, and all interest or gain derived from the investment of amounts in any of the Funds or Accounts established hereunder shall be deposited in the Fund or Account from which such investment was made.

For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder with the written approval of the City. The Trustee or an affiliate may act as principal or agent in the acquisition or disposition of any investment, and shall be entitled to its customary fees therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section. The Trustee may rely conclusively upon the investment direction of the City as to the suitability and legality of the directed investments.

The Trustee shall furnish the City periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the City. Upon the City's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request. The City waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, which brokerage confirmations are at no additional cost, to the extent permitted by law. The City further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

#### SECTION 4.08. Valuation; Investments.

In computing the amount in any Fund or Account, Authorized Investments shall be valued at their fair market value. With respect to all Funds and Accounts, valuation shall occur annually, except in the event of a withdrawal from the Reserve Account, whereupon securities shall be valued immediately after such withdrawal. In determining the market value of Authorized Investments, the Trustee may use and rely conclusively and without liability upon any generally recognized pricing information service (including brokers and dealers in securities) available to it.

#### SECTION 4.09. Rate Stabilization Fund.

The City has the right at any time to establish a rate stabilization fund (a "Rate Stabilization Fund") to be held by it and administered in accordance with this Section 4.09, for the purpose of stabilizing the Charges imposed by the City with respect to the Solid Waste System. From time to time the City may deposit amounts in a Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues that are released from the pledge and lien which secures the Series 2016 Bonds and any Parity Bonds, as the City may determine.

The City may, but is not required to, withdraw from any amounts on deposit in a Rate Stabilization Fund and deposit such amounts in the Solid Waste and Materials Diversion Fund in any Fiscal Year. Amounts so transferred from a Rate Stabilization Fund to the Solid Waste and Materials Diversion Fund shall constitute Gross Revenues for such Fiscal Year (except as otherwise provided herein), and shall be applied for the purposes of the Solid Waste and Materials Diversion Fund. Amounts on deposit in a Rate Stabilization Fund shall not be pledged to or otherwise secure the Series 2016 Bonds or any Parity Bonds. All interest or other earnings on deposits in the Rate Stabilization Fund will be retained therein or, at the option of the City, be applied for any other lawful purposes of the Solid Waste System. The City has the right at any time to withdraw any or all amounts on deposit in a Rate Stabilization Fund and apply such amounts for any lawful purposes of the Solid Waste System.



## ARTICLE V

### COVENANTS OF THE CITY

SECTION 5.01. Punctual Payment; Compliance With Documents. The City shall punctually pay or cause to be paid the interest and principal to become due with respect to all of the Bonds in strict conformity with the terms of the Bonds and of this Indenture, and will faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Parity Bonds Instruments.

SECTION 5.02. Against Encumbrances. The City will not mortgage or otherwise encumber, pledge or place any charge upon the assets of the Solid Waste System or any part thereof, or upon any of the Net Revenues, except as provided in the Indenture.

SECTION 5.03. Discharge of Claims. The City covenants that in order to fully preserve and protect the priority and security of the Bonds, the City shall pay from the Gross Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Solid Waste System which, if unpaid, may become a lien or charge upon the Gross Revenues prior or superior to the lien of the Bonds and impair the security of the Bonds. The City shall also pay from the Gross Revenues all taxes and assessments or other governmental charges lawfully levied or assessed upon or in respect of the Solid Waste System or upon any part thereof or upon any of the Gross Revenues therefrom.

SECTION 5.04. Acquisition, Construction or Financing of Improvements to the Solid Waste System. The City will acquire, construct, or finance Improvements to the Solid Waste System to be financed with the proceeds of any Parity Bonds with all practicable dispatch, and such Improvements will be made in an expeditious manner and in conformity with laws so as to complete the same as soon as possible.

SECTION 5.05. Maintenance and Operation of Solid Waste System in Efficient and Economical Manner; Contractor.

(a) The City covenants and agrees to maintain and operate, or cause a Contractor to maintain and operate, the Solid Waste System in an efficient and economical manner and to operate, maintain and preserve, or cause a Contractor to maintain and operate, the Solid Waste System in good repair and working order.

(b) No later than one year prior to the termination date of a contract with a Contractor for which the City does not plan to exercise an option to extend the contract, the City shall either (i) initiate a process for identifying a new company that is experienced in the operations of solid waste enterprises like the Solid Waste System or (ii) initiate a process for assuming responsibility for managing the Solid Waste System itself.

SECTION 5.06. Against Sale, Eminent Domain.

(a) The City will not sell, lease or otherwise dispose of any assets of the Solid Waste System that are essential to the proper operation of the Solid Waste System or to the maintenance of the Net Revenues except as herein expressly permitted. The City will not enter into any lease or agreement which impairs the operation of the Solid Waste System or any part thereof necessary to secure adequate Net Revenues for the payment of the interest on and principal or Redemption Price, if any, on the Bonds, or which would otherwise impair the rights of the Holders with respect to the Net Revenues or the operation of the Solid Waste System. Any real or personal property which has become non-operative or which is not needed for the efficient and proper operation of the Solid Waste System, or any material or equipment which has worn out, may be sold at not less than the market value thereof without the consent of the

Holders if such sale will not reduce Net Revenues and if all of the Net Proceeds of such sale are deposited in the Solid Waste and Materials Diversion Fund.

(b) If all or any part of the Solid Waste System shall be taken by eminent domain proceedings, the Net Proceeds realized by the City therefrom shall be deposited by the City with the Trustee in a special fund in trust and applied by the City to the cost of acquiring or constructing or financing Improvements to the Solid Waste System if (A) the City first secures and files with the Trustee a Certificate of the City (i) showing the estimated loss in annual Net Revenues, if any, suffered, or to be suffered, by the City by reason of such eminent domain proceedings, (ii) describing the Improvements to the Solid Waste System then proposed to be acquired or constructed by the City from such Net Proceeds, (iii) estimating the additional Net Revenues to be derived from such Improvements, and (iv) stating that such additional Net Revenues will sufficiently offset the loss of 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.

If the foregoing conditions are met, the City shall then promptly proceed with the acquisition or construction or financing of such Improvements substantially in accordance with such Certificate of the City and payments therefor shall be made by the Trustee from such Net Proceeds and from other moneys of the City lawfully available therefor, and any balance of such Net Proceeds not required by the City for the purposes aforesaid shall be deposited in the Solid Waste and Materials Diversion Fund.

If the foregoing conditions are not met, then such Net Proceeds shall be applied by the Trustee pro rata to the redemption or purchase of the Bonds of each Series then outstanding in the proportion which the principal amount of the outstanding Bonds of each Series bears to the aggregate principal amount of all Bonds then outstanding. If the Trustee is unable to purchase or redeem Bonds in amounts sufficient to exhaust the available moneys allocable to each such Series, the remainder of such moneys for each such Series shall be held in trust by the Trustee and applied to the payment of the Bonds as the same become due by their terms, and, pending such application, such remaining moneys may be invested by the Trustee in the manner specified in writing by the City.

**SECTION 5.07. Insurance.** The City covenants that it shall at all times maintain, or cause the Contractor to maintain, such insurance on the Solid Waste System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. If any part of the Solid Waste System that is essential to the proper operation of the Solid Waste System or to the maintenance of the Net Revenues shall be damaged or destroyed, such part shall be restored to use. The City may determine whether the Net Proceeds of insurance against accident to or destruction of the physical assets of the Solid Waste System shall be (a) used by the City to repair or rebuild the damaged or destroyed portions of the Solid Waste System (to the extent that such repair or rebuilding is determined by the City to be useful or of continuing value to the Solid Waste System), (ii) transferred to the Trustee at the same time that the City delivers a Certificate of the City directing the Trustee to use the Net Proceeds for the redemption or purchase of the Bonds of each Series then outstanding in the proportion which the principal amount of the outstanding Bonds of each Series bears to the aggregate principal amount of all Bonds then outstanding or (iii) deposited in the Solid Waste and Materials Diversion Fund if the City delivers a Certificate of the City to the Trustee in which it describes the City's determination that that it is not necessary to repair or rebuild the damaged or destroyed portions of the Solid Waste System or redeem Bonds because the damaged or destroyed portions of the Solid Waste System are not essential to the proper operation of the Solid Waste System or to the maintenance of the Net Revenues.

Any such insurance shall be in the form of policies or contracts for insurance with insurers of good standing and shall be payable to the City, or may be in the form of self-insurance by the City. The City shall establish such fund or funds or reserves as it determines, in its sole judgment, are necessary to provide for its share of any such self-insurance.

SECTION 5.08. Reserved.

SECTION 5.09. Protection of Security and Rights of Owners. The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Parity Bonds by the City, such Parity Bonds shall be incontestable by the City.

SECTION 5.10. Against Competitive Facilities. The City will not acquire, construct, operate or maintain a solid waste system or utility within the service area of the City that would be competitive with the Solid Waste System.

SECTION 5.11. Payment of Taxes, Etc. The City will pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Solid Waste System or any part thereof or upon any Net Revenues when the same shall become due. The City will duly observe and conform with all valid requirements of any governmental authority relative to the Solid Waste System or any part thereof, and will comply with all requirements with respect to any state or federal grants received to assist in paying for the costs of the acquisition, construction or financing of any Improvements to the Solid Waste System.

SECTION 5.12. Rates and Charges. (a) The City shall fix, prescribe, revise and cause to be collected Charges during each Fiscal Year which will yield Gross Revenues that are at least sufficient, after making allowances for contingencies and error in the estimates and not including any transfers to the Solid Waste and Materials Diversion Fund from a Rate Stabilization Fund, to pay the following amounts in the following order:

- (i) all Maintenance and Operation Costs estimated by the City to become due payable in such Fiscal Year;
- (ii) the Debt Service on the Bonds;
- (iii) replenishment of the Reserve Account and the debt service reserve fund for any Parity Bonds, if needed;
- (iv) all other payments required for compliance with this Indenture and any Parity Bonds Instrument; and
- (v) all payments required to meet any other obligations of the City which are charges, liens, encumbrances upon or payable from the Gross Revenues, including a reasonable profit for the Contractor, if applicable.

(b) In addition, the City shall fix, prescribe, revise and cause to be collected Charges during each Fiscal Year which are sufficient to yield Net Revenues least equal to One Hundred Twenty-Five percent (125%) of the amounts payable under the preceding clause (a)(ii) in such Fiscal Year for Bonds which have a lien on Net Revenues. For purposes of this subsection 5.12(b), the amount of Net Revenues for a Fiscal Year will be computed on the basis that (1) any transfers into the Solid Waste and Materials Diversion Fund in that Fiscal Year from the Rate Stabilization Fund are included in the calculation of aggregate Net Revenues, and (2) any deposits into the Rate Stabilization Fund in that Fiscal Year are deducted from the amount of Net Revenues, but only to the extent such deposits are made from Gross Revenues received by the City during that Fiscal Year.

(c) The City covenants that it will cause to be prepared annually, and filed with the Trustee, not more than two hundred seventy (270) days after the close of each Fiscal Year, a certificate stating that the City is in compliance with the rate covenant set forth in this Section 5.12.

SECTION 5.13. No Priority for Additional Obligations. The City covenants that no additional bonds or other obligations shall be issued or incurred having any priority in payment of principal or interest out of the Net Revenues over the Bonds.

SECTION 5.14. Further Assurances. The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the Series 2016 Bonds the rights and benefits provided in this Indenture.

SECTION 5.15. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Indenture, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any holder or beneficial owner of the Series 2016 Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

In furtherance of its covenant set forth in the first sentence of this Section 5.15, the City shall require by contract any Contractor to provide to the City the information it needs in order to comply with the Continuing Disclosure Certificate and shall use all reasonable means to enforce such obligations.

## ARTICLE VI

### THE TRUSTEE

**SECTION 6.01. Appointment of Trustee.** The Bank of New York Mellon Trust Company, N.A., with an office in San Francisco, California, a national banking association organized and existing under and by virtue of the laws of the United States of America, is hereby appointed Trustee by the City for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The City agrees that it will maintain a Trustee having a corporate trust office in San Francisco, California, with a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000), and subject to supervision or examination by federal or State authority, so long as any Series 2016 Bonds are Outstanding. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this Section 5.01 the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee is hereby authorized to pay the Series 2016 Bonds when duly presented for payment at maturity, or on redemption or purchase prior to maturity, and to cancel all Series 2016 Bonds upon payment thereof. The Trustee shall keep accurate records of all funds administered by it and of all Series 2016 Bonds paid and discharged.

**SECTION 6.02. Acceptance of Trusts.** The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after curing all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants, duties or obligations shall be read into this Indenture against the Trustee. In case an Event of Default hereunder has occurred (which has not been cured or waived) the Trustee may exercise such of the rights and powers vested in it by this Indenture, and shall use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers but shall not be answerable for the selection of the same if appointed by it with due care, and shall be entitled to rely conclusively on advice of counsel of its choice concerning all matters of trust and its duty hereunder.

(c) The Trustee shall not be responsible for any recital herein, or in the Series 2016 Bonds, or for the validity of this Indenture or any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Series 2016 Series 2016 Bonds issued hereunder or intended to be secured hereby and the Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the City hereunder. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with the City's investment direction.

(d) The Trustee shall not be accountable for the use of any proceeds of sale of the Series 2016 Bonds delivered hereunder. The Trustee may become the Owner of Series 2016 Bonds secured hereby with the same rights which it would have if not the Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the City with the same rights it would have if it were not the Trustee; and may act as a depository for and



permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Series 2016 Bonds, whether or not such committee shall represent the Owners of the majority in principal amount of the Series 2016 Bonds then Outstanding.

(e) In the absence of bad faith on its part, the Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Series 2016 Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Series 2016 Bond or to take any action at his request unless the ownership of such Series 2016 Bond by such person shall be reflected on the Bond Registration Books.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a Certificate of the City as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default hereunder of which the Trustee has been given notice or is deemed to have notice, as provided in Section 6.02(h) hereof, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a Certificate of the City to the effect that an authorization in the form therein set forth has been adopted by the City, as conclusive evidence that such authorization has been duly adopted and is in full force and effect.

(g) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee shall extend to its officers, as finally adjudicated by a court of law, directors, employees and agents.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder except failure by the City to make any of the payments to the Trustee required to be made by the City pursuant hereto or failure by the City to file with the Trustee any document required by this Indenture to be so filed subsequent to the issuance of the Bonds by a date certain, unless the Trustee shall be specifically notified in writing of such default by the City or by the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Series 2016 Bonds then Outstanding and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Principal Corporate Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default hereunder except as aforesaid.

(i) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect the Solid Waste System, including all books, papers and records of the City pertaining to the Solid Waste System and the Series 2016 Bonds, and to take such memoranda from and with regard thereto as may be desired but which is not privileged by statute or by law.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(k) Notwithstanding anything elsewhere in this Indenture with respect to the execution of any Series 2016 Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, as may be deemed desirable for the purpose of establishing the right of the City to the execution of any Series 2016 Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) Before taking the action referred to in Section 8.03 or any other action in connection with its duties hereunder (other than making payments of principal and interest on the Series 2016 Bonds), the Trustee may require that an indemnity bond satisfactory in terms and amount be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is finally adjudicated by a court of law to have resulted from its negligence or willful misconduct in connection with any such action.

(m) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. The Trustee shall not be under any liability for interest on any moneys received hereunder except such as it may agree to in writing.

(n) The Trustee shall not be considered in breach of or in default in its obligations hereunder and will not incur any liability for not performing any act or fulfilling any duty, obligation or responsibility hereunder, or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, present or future law or regulation or governmental authority, natural catastrophes, civil or military disturbances, loss or malfunctions of utilities, any act of God or war, terrorism or the unavailability of the Federal Reserve Bank or other wire or communication facility, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Improvements, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/ or occurrences beyond the control of the Trustee.

(o) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Indenture and delivered using Electronic Means ("Electronic Means" means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/ or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the City shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the City, whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall

conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/ or authentication keys upon receipt by the City. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

(p) Notwithstanding the effective date of this Indenture or anything to the contrary in this Indenture, the Trustee shall have no liability or responsibility for any act or event relating to this Indenture which occurs prior to the date the Trustee formally executes this Indenture and commences acting as Trustee hereunder.

(q) The Trustee shall have no responsibility or liability with respect to any information, statements or recitals in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Series 2016 Bonds.

**SECTION 6.03. Fees, Charges and Expenses of Trustee.** The Trustee shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees (including expenses) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. Upon the occurrence of an Event of Default hereunder, but only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment of any Bond upon the amounts held hereunder for the foregoing fees, charges and expenses incurred by it respectively. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

**SECTION 6.04. Notice to Bond Owners of Default.** If an Event of Default hereunder occurs with respect to any Series 2016 Bonds, of which the Trustee has been given or is deemed to have notice, as provided in this Indenture, then the Trustee shall promptly give written notice thereof by first-class mail to the Owner of each such Series 2016 Bond, unless such Event of Default shall have been cured before the giving of such notice; provided, however, that unless such Event of Default consists of the failure by the City to make any payment when due, the Trustee may elect not to give such notice if and so long as the Trustee in good faith determines that it is in the best interests of the Series 2016 Bond Owners not to give such notice.

**SECTION 6.05. Intervention by Trustee.** In any judicial proceeding to which the City is a party which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of any of the Series 2016 Bonds, the Trustee may intervene on behalf of such Bond Owners, and subject to Section 6.02 hereof, shall do so if requested in writing by the Owners of at least twenty-five percent (25%) in aggregate principal amount of such Series 2016 Bonds then Outstanding, upon being indemnified to its satisfaction.

SECTION 6.06. Removal of Trustee. The Owners of a majority in aggregate principal amount of the Outstanding Series 2016 Bonds may, upon thirty (30) days prior notice, and the City may so long as no Event of Default shall have occurred and then be continuing, remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee (where applicable), whereupon the City or such Owners, as the case may be, shall appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company meeting the requirements set forth in Section 6.01 hereof.

SECTION 6.07. Resignation by Trustee. The Trustee and any successor Trustee may at any time resign by giving thirty (30) days' written notice by registered or certified mail to the City. Upon receiving such notice of resignation, the City shall promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the City shall cause notice thereof to be given by first class mail to the Series 2016 Bond Owners at their respective addresses set forth on the Bond Registration Books. No resignation of the Trustee shall take effect until a successor is appointed and has accepted.

SECTION 6.08. Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee pursuant to Sections 6.06 or 6.07, respectively, the City shall promptly appoint a successor Trustee. In the event the City shall for any reason whatsoever fail to appoint a successor Trustee within forty-five (45) days following the delivery to the Trustee of the instrument described in Section 6.06 or within forty-five (45) days following the receipt of notice by the City pursuant to Section 6.07, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of Section 6.01 hereof. Any such successor Trustee appointed by such court shall become the successor Trustee hereunder notwithstanding any action by the City purporting to appoint a successor Trustee following the expiration of such forty-five-day period.

The Trustee may be removed at any time, upon thirty (30) days' written notice, at the request of the Municipal Bond Insurer with the consent of the City, for any breach of the trust set forth herein. The Municipal Bond Insurer shall receive prior written notice of any Trustee resignation.

Notwithstanding any other provision of this Trust Indenture, no removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to the Municipal Bond Insurer, shall be appointed; provided, however, that if for any reason whatsoever no successor Trustee shall have been appointed within 45 days following receipt of notice by the City pursuant to Section 6.07 above, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee which meets the requirements of Section 6.01 hereof, and such appointment shall be binding upon the Municipal Bond Insurer.

SECTION 6.09. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated, or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business (provided that such company shall be eligible under Section 6.01), shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

SECTION 6.10. Concerning any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the City an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such

predecessor shall, nevertheless, on the Request of the City, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee hereunder to its successor. Should any instrument in writing from the City be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the City.

**SECTION 6.11. Appointment of Co-Trustee.** It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under this Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or co-trustee. The following provisions of this Section 6.11 are adopted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

Should any instrument in writing from the City be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the City. In case any separate trustee or co-trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

**SECTION 6.12. Indemnification; Limited Liability of Trustee.** The City shall indemnify and hold the Trustee and its officers, directors, agents and employees harmless from and against all claims, losses, costs, expenses, liabilities, suits, actions, judgments and damages including legal fees and expenses arising from the exercise and performance of its duties hereunder and the termination of this Indenture. Such indemnity shall survive the resignation or removal of the Trustee hereunder and the termination of this Indenture. No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder if it shall have reasonable grounds for believing repayment of such funds or adequate indemnity against such liability or risk is not assured to it. The Trustee shall not be liable for any action taken or omitted to be taken by it in accordance with the direction of the Bond Insurer or a majority of the Owners of the principal amount of Series 2016 Bonds Outstanding relating to the time, method and place of conducting any proceeding or remedy available to the Trustee under this Indenture.

## ARTICLE VII

### MODIFICATION AND AMENDMENT OF THE INDENTURE

SECTION 7.01. Amendment by Consent of Bond Owners. This Indenture and the rights and obligations of the City and of the Owners of the Series 2016 Bonds may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Owners of a majority in aggregate principal amount of the Series 2016 Bonds then Outstanding, exclusive of Series 2016 Bonds disqualified as provided in Section 7.03 hereof, are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Series 2016 Bond or otherwise alter or impair the obligation of the City to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Series 2016 Bond without the express written consent of the Owner of such Series 2016 Bond, (b) reduce the percentage of Series 2016 Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

SECTION 7.02. Amendment Without Consent of Bondholders. This Indenture and the rights and obligations of the City and of the Owners of the Series 2016 Bonds may also be modified or amended at any time by a Supplemental Indenture which shall become binding upon execution and delivery, without consent of any Series 2016 Bond Owners, but only to the extent permitted by law and only for any one or more of the following purposes-

(a) to add to the covenants and agreements of the City in this Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the City; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in any other respect whatsoever as the City may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds, as evidenced by the opinion of counsel delivered under Section 7.06 hereunder;

(c) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, including but not limited to the establishment of special funds and accounts relating to such Parity Bonds and any other provisions relating solely to such Parity Bonds, subject to and in accordance with the provisions of Section 3.05; or

(d) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Series 2016 Bonds.

Any amendments which require Series 2016 Bond Owner consent pursuant to this Section 10.02 shall also require the prior written consent of the Municipal Bond Insurer. Notices regarding any such proposed amendments shall be provided to the following address: \_\_\_\_\_.

SECTION 7.03. Disqualified Bonds. Series 2016 Bonds owned or held by or for the account of the City (but excluding Series 2016 Bonds held in any employees' retirement fund) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Series 2016 Bonds in this article provided for, and shall not be entitled to consent to, or take any other action in this article provided for; except that in determining whether the Trustee shall be protected in relying upon any such consent or other action of an Owner, only Series 2016 Bonds which the Trustee actually knows to be owned or held by or for the account of the City, shall be disregarded unless all Series 2016 Bonds are so

owned or held, in which case such Series 2016 Bonds shall be considered Outstanding for the purpose of such determination..

SECTION 7.04. Endorsement or Replacement of Bonds After Amendment. After the effective date of any action taken as hereinabove provided, the City may determine that the Series 2016 Bonds shall bear a notation, by endorsement in form approved by the City, as to such action, and in that case upon demand of the Owner of any Series 2016 Bond Outstanding at such effective date and presentation of his Series 2016 Bond for that purpose at the Principal Corporate Trust Office of the Trustee, a suitable notation as to such action shall be made on such Bond. If the City shall so determine, new Series 2016 Bonds so modified as, in the opinion of the City, shall be necessary to conform to such Series 2016 Bond Owners' action shall be prepared and executed, and in that case upon demand of the Owner of any Series 2016 Bond Outstanding at such effective date such new Series 2016 Bonds shall be exchanged at the Principal Corporate Trust Office of the Trustee, without cost to each Series 2016 Bond Owner, for Bonds then Outstanding, upon surrender of such Outstanding Series 2016 Bonds.

SECTION 7.05. Amendment by Mutual Consent. The provisions of this Article VII shall not prevent any Series 2016 Bond Owner from accepting any amendment as to the particular Series 2016 Bond held by him, provided that due notation thereof is made on such Series 2016 Bond.

SECTION 7.06. Execution of Amendments. In executing, or accepting the additional trusts created by, any amendment permitted by this Article or the modification thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an opinion of counsel stating that the execution of such amendment is authorized or permitted by this Indenture and complies with the terms hereof. The Trustee may, but shall not be obligated to, enter into any such amendment which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

**SECTION 8.01. Events of Default and Acceleration of Maturities.** The following events shall be Events of Default hereunder:

(a) Default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(b) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) Default by the City in the observance of any of the covenants, agreements or conditions on its part in this Indenture or in any Parity Bonds Instrument or in the Bonds contained, and such default shall have continued for a period of sixty (60) days after the City shall have been given notice in writing of such default by the Trustee; or

(d) The filing by the City of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the City, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property.

Upon the occurrence of an Event of Default, the Trustee may, with the consent of the Municipal Bond Insurer, and shall, at the direction of the owners of a majority of the principal amount of the Series 2016 Bonds, with the consent of the Municipal Bond Insurer, by written notice to the City, declare the principal of the Series 2016 Bonds to be immediately due and payable, whereupon that portion of the principal of the Series 2016 Bonds thereby coming due and there interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Indenture or in the Series 2016 Bonds to the contrary notwithstanding. This provision, however, is subject to the condition that if, at any time after the principal of the Series 2016 Bonds shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the City shall deposit with the Trustee a sum sufficient to pay all of the principal of and interest on the Series 2016 Bonds having come due prior to such declaration, with interest on such overdue principal and interest calculated at the rate of interest per annum then borne by the Outstanding Series 2016 Bonds, and the reasonable fees and expenses of the Trustee and those of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of the principal of and interest on the Series 2016 Bonds having come due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of a majority in aggregate principal amount of the Series 2016 Bonds at the time Outstanding may, by written notice to the City and to the Trustee, on behalf of the Owners of all of the Outstanding Series 2016 Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

**SECTION 8.02. Application of Funds Upon Acceleration.** All amounts held by the Trustee hereunder or received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of this Indenture shall be applied by the Trustee in the following



order upon presentation of the several Series 2016 Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid -

First, to the payment of the fees, costs and expenses of the Trustee, including reasonable compensation to their agents, attorneys and counsel, and to the payment of the costs and expenses of the Trustee, if any, in carrying out the provisions of this Article VIII, including reasonable compensation to its agents, attorneys and counsel, then to the Series 2016 Bond Owners' costs and expenses in declaring such Event of Default; and

Second, to the payment of the whole amount then owing and unpaid upon the Series 2016 Bonds for interest and principal, with interest on such overdue amounts to the extent permitted by law at the rate of interest then borne by the Outstanding Series 2016 Bonds, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Series 2016 Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably in proportion to the aggregate of such interest, principal and interest on overdue amounts.

**SECTION 8.03. Other Remedies; Rights of Bond Owners.** Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy, in addition to the remedy specified in Section 8.01, at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Series 2016 Bonds, and to enforce any rights of the Trustee under or with respect to this Indenture.

If an Event of Default shall have occurred and be continuing and if requested so to do by the Owners of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Series 2016 Bonds and indemnified as provided in Section 6.02 (I), the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Article VIII, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Series 2016 Bond Owners.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Series 2016 Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Series 2016 Bond Owners hereunder or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

Notwithstanding any other provisions of the Trust Indenture, the Municipal Bond Insurer shall have the right, so long as it is not in default under the Municipal Bond Insurance Policy, to direct the remedies to be taken upon any Event of Default hereunder and the Municipal Bond Insurer's consent shall be required for remedial action taken by the Trustee or the City hereunder.

**SECTION 8.04. Power of Trustee to Control Proceedings.** In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Series 2016 Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Series 2016 Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the

time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Series 2016 Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation and the Trustee has been indemnified to its satisfaction. Any suit, action or proceeding which any Owner of Series 2016 Bonds shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners of Series 2016 Bonds similarly situated and the Trustee is hereby appointed (and the successive respective Owners of the Series 2016 Bonds issued hereunder, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Series 2016 Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Series 2016 Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact. Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Series 2016 Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

**SECTION 8.05. Appointment of Receivers.** Upon the occurrence of an Event of Default hereunder, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Series 2016 Bond Owners under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Net Revenues and other amounts pledged hereunder, pending such proceedings, with such powers as the court making such appointment shall confer.

**SECTION 8.06. Non-Waiver.** Nothing in this Article VIII or in any other provision of this Indenture, or in the Series 2016 Bonds, shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the interest on and principal of the Series 2016 Bonds to the respective Owners of the Series 2016 Bonds at the respective dates of maturity, as herein provided, out of the Net Revenues and other moneys herein pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Series 2016 Bond Owners 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. No delay or omission of any Owner of any of the Series 2016 Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or Series 2016 Bond Owners by the Bond Law or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Bond Owners, as the case may be.

If a suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Series 2016 Bond Owners, the City and the Series 2016 Bond Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

**SECTION 8.07. Rights and Remedies of Bond Owners.** No Owner of any Series 2016 Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Series 2016 Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty

(60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Series 2016 Bonds of any remedy hereunder; it being understood and intended that no one or more Owners of Series 2016 Bonds shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Series 2016 Bonds.

The right of any Owner of any Series 2016 Bond to receive payment of the principal of and interest and premium (if any) on such Series 2016 Bond as herein provided or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

**SECTION 8.08. Termination of Proceedings.** In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the City, the Trustee and the Series 2016 Bond Owners shall be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

**SECTION 8.09. Municipal Bond Insurer as Third-Party Beneficiary.** To the extent that this Indenture confers upon or gives or grants to the Municipal Bond Insurer any right, remedy or claim under or by reason of this Indenture, the Municipal Bond Insurer is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right remedy or claim conferred, given or granted hereunder.

**SECTION 8.10. Rights of Municipal Bond Insurer.** Anything in this Indenture to the contrary notwithstanding, upon the occurrence and continuation of an Event of Default, the Municipal Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted hereunder to the Series 2016 Bond Owners, or to the Trustee for the benefit of the Series 2016 Bond Owners, including but not limited to, rights and remedies granted pursuant to Section 8.01 and 8.03 and, including but not limited to, the right to approve all waivers of any Events of Default. The rights granted to the Municipal Bond Insurer hereunder shall be deemed terminated and shall not be exercisable by the Municipal Bond Insurer during any period during which Municipal Bond Insurer shall be in default under the Municipal Bond Insurance Policy.

**SECTION 8.11. Effect on Municipal Bond Insurance Policy.** Notwithstanding any other provision of this Indenture, in determining whether the rights of the Bondholders will be materially adversely affected by any action taken pursuant to the terms and provisions of this Indenture, the effect on the Bondholders shall be considered as if there were no Municipal Bond Insurance Policy.

## ARTICLE IX

### MISCELLANEOUS

**SECTION 9.01. Limited Liability of City.** Notwithstanding anything in this Indenture contained, the City shall not be required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the principal of or interest on the Series 2016 Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants herein contained (except to the extent any such covenants are expressly payable hereunder from the Net Revenues). The City may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the City for such purpose without incurring indebtedness.

**SECTION 9.02. Parties Interested Herein.**

(a) Nothing in this Trust Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City, the Trustee, the Municipal Bond Insurer and the Owners any right, remedy or claim under or by reason of this Trust Indenture, or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Trust Indenture contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Trustee, the Municipal Bond Insurer and the Owners.

(b) Notwithstanding any other provision of this Trust Indenture, in determining whether the rights of the Owners will be materially adversely affected by any action taken pursuant to the terms and provisions of this Trust Indenture, the effect on the Owners shall be considered as if there was no Municipal Bond Insurance Policy.

**SECTION 9.03. Discharge of Indenture.** If the City shall pay and discharge any or all of the Outstanding Series 2016 Bonds in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest and premium (if any) on such Series 2016 Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to this Indenture, is fully sufficient to pay such Series 2016 Bonds, including all principal, interest and redemption premiums; or

(c) by depositing with a qualified escrow holder, in trust, Defeasance Obligations in such amount as the City (verified by an Independent Certified Public Accountant) shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the Funds and Accounts established pursuant to this Indenture, be fully sufficient to pay and discharge the indebtedness on such Series 2016 Bonds (including all principal, interest and redemption premiums, if any) at or before their respective maturity dates;

and if such Series 2016 Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been mailed pursuant to Section 2.02(d) or provision satisfactory to the Trustee shall have been made for the mailing of such notice, then, at the election of the City, and notwithstanding that any of such Series 2016 Bonds shall not have been surrendered for payment, the pledge of the Net Revenues and other funds provided for in this Indenture with respect to such Series 2016 Bonds, and all other pecuniary obligations of the City under this Indenture with respect to all such Series 2016 Bonds, shall cease and terminate, except only the obligation of the City to indemnify the Trustee under Section 6.12 hereof, and to pay or cause to

be paid to the Owners of such Series 2016 Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, and all expenses and costs of the Trustee. Notice of such election shall be filed with the Trustee.

Any funds thereafter held by the Trustee, which are not required for said purposes, shall be paid over to the City or to its order.

Refunding bonds may be issued at any time without regard to whether an Event of Default exists.

To accomplish defeasance of the Series 2016 Bonds as provided in paragraph (c) above the City shall cause to be delivered (i) a report of an Independent Certified Public Accountant verifying the sufficiency of the escrow established to pay the Series 2016 Bonds in full on the maturity or earlier redemption date ("Verification"), (ii) an escrow deposit agreement, and (iii) an opinion of nationally recognized bond counsel to the effect that the Series 2016 Bonds are no longer "Outstanding" under this Indenture; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the City and the Trustee.

Notwithstanding anything herein to the contrary, in the event that the principal of and/ or interest on the Series 2016 Bonds shall be paid by the Municipal Bond Insurer pursuant to the Municipal Bond Insurance Policy, the Series 2016 Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the City, and the assignment and pledge of the Net Revenues and all covenants, agreements and other obligations of the City to the registered owners shall continue to exist and shall run to the benefit of the Municipal Bond Insurer, and the Municipal Bond Insurer shall be subrogated to the rights of such registered owners.

**SECTION 9.04. Content of Certificates.** Every certificate with respect to compliance with a condition or covenant provided for in this Indenture shall include (a) a statement that the person or persons making or giving such certificate have read such covenant or condition and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (d) a statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

Any such certificate made or given by an officer of the City may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous. Any such certificate or opinion or representation made or given by counsel may be based, insofar as it relates to factual matters, on information with respect to which is in the possession of the City, upon the certificate or opinion of or representations by an officer or officers of the City, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his certificate, opinion or representation may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous.

**SECTION 9.05. Execution of Documents by Bond Owners.** Any request, consent or other instrument required by this Indenture to be signed and executed by Series 2016 Bond Owners may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Series 2016 Bond Owners in person or by agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, shall be sufficient for any purpose of this Indenture and

shall be conclusive in favor of the Trustee and of the City if made in the manner provided in this Section 9.05.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument or writing acknowledged to him the execution thereof.

The ownership of Bonds shall be provided by the Bond Registration Books.

Any request, consent or vote of the Owner of any Series 2016 Bond shall bind every future Owner of the same Series 2016 Bond and the Owner of any Series 2016 Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the City in pursuance of such request, consent or vote.

In determining whether the Owners of the requisite aggregate principal amount of Series 2016 Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Series 2016 Bonds which are owned or held by or for the account of the City (but excluding Bonds held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, provided, however, that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Series 2016 Bonds which the Trustee actually knows to be so owned or held shall be disregarded, and if 100% of the Series 2016 Bonds are so owned, no such Series 2016 Bonds shall be disregarded and such Series 2016 Bonds shall be deemed outstanding.

In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Trustee may call and hold a meeting of the Series 2016 Bond Owners upon such notice and in accordance with such rules and obligations as the Trustee considers fair and reasonable for the purpose of obtaining any such action.

**SECTION 9.06. Waiver of Personal Liability.** No officer, agent or employee of the City shall be individually or personally liable for the payment of the interest on or principal of the Series 2016 Bonds; but nothing herein contained shall relieve any such officer, agent or employee from the performance of any official duty provided by law.

**SECTION 9.07. Partial Invalidity.** If any one or more of the covenants or agreements, or portions thereof, provided in this Indenture on the part of the City (or of the Trustee) to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of this Indenture or of the Series 2016 Bonds; but the Series 2016 Bond Owners shall retain all rights and benefits accorded to them under the Bond Law or any other applicable provisions of law. The City hereby declares that it would have entered into this Indenture and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Indenture or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

**SECTION 9.08. Destruction of Cancelled Bonds.** Whenever in this Indenture provision is made for the surrender to the City of any Series 2016 Bonds which have been paid or cancelled pursuant to the provisions of this Indenture, the Trustee shall destroy such Series 2016 Bonds and, upon request, furnish to the City a certificate of such destruction.

**SECTION 9.09. Funds and Accounts.** Any Fund or Account required by this Indenture to be established and maintained by the City or the Trustee may be established and maintained in the accounting records of the City or the Trustee, as the case may be, either as a Fund or an Account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a Fund or as an Account. All such records with respect to all such Funds and Accounts held by the Trustee shall be at all times maintained in accordance with industry practices; in each case with due regard for the protection of the security of the Series 2016 Bonds and the rights of every Owner thereof.

**SECTION 9.10. Notices.** Any notice, request, complaint, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered by courier, overnight mail, fax, email or other electronic transmission or mailed by registered or certified mail, postage prepaid, addressed as follows:

City

City Hall  
955 School Street  
P.O. Box 660,  
Napa, California 94559-0660  
Attention: Finance Director  
Fax: 707-257-9251  
Email: [rraper@cityofnapa.org](mailto:rraper@cityofnapa.org)

Trustee

The Bank of New York Mellon Trust  
Company, N.A.  
100 Pine Street, Suite 3200  
San Francisco, CA 94111  
Attention: Corporate Trust Department  
Fax: 415-399-1647  
Email: \_\_\_\_\_

Municipal Bond Insurer

The City and the Trustee may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**SECTION 9.11. Unclaimed Moneys.** Anything in this Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Series 2016 Bonds which remain unclaimed for one (1) year after the date when such Series 2016 Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for one (1) year after the date of deposit of such moneys if deposited with the Trustee after said date when such Series 2016 Bonds become due and payable, shall, at the Request of the City, be repaid by the Trustee to the City (without liability for interest), as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Series 2016 Bond Owners shall look only to the City for the payment of such Series 2016 Bonds; provided, however, that before being required to make any such payment to the City, the Trustee shall, at the expense and direction of the City, cause to be mailed to the Owners of all such Series 2016 Bonds, at their respective addresses appearing on the Bond Registration Books, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than thirty (30) days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned to the City.

**SECTION 9.12. Governing Law.** This Indenture shall be governed by the laws of the State of California.

IN WITNESS WHEREOF, the CITY OF NAPA has caused this Indenture to be signed in its name by its City Manager and its seal to be affixed hereon and attested by its City Clerk, and The Bank of New York Mellon Trust Company, N.A., in token of its acceptance of the trust created hereunder, has caused this Indenture to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

**CITY OF NAPA**

\_\_\_\_\_  
City Manager

**ATTEST:**

\_\_\_\_\_  
Deputy City Clerk

**COUNTERSIGNED:**

\_\_\_\_\_  
Deputy City Auditor

**APPROVED AS TO FORM:**

\_\_\_\_\_  
City Attorney

Budget Code: \_\_\_\_\_

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A.,  
as Trustee

By \_\_\_\_\_  
Authorized Officer



## EXHIBIT A

### FORM OF SERIES 2016 BOND

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA  
COUNTY OF NAPA

CITY OF NAPA  
SOLID WASTE REVENUE BOND  
Series 2016 (Federally Taxable)  
Napa Materials Diversion Facility)  
[(Green Bonds)]

NO. R-\_\_\_\_ \$ \_\_\_\_\_

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATED DATE</u>	<u>CUSIP</u>
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	August 1, ____	_____, 2016	
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REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \*\*\* \_\_\_\_\_ DOLLARS\*\*\*

The CITY OF NAPA, a charter city and municipal corporation organized and existing under the Constitution and laws of the State of California (the "City"), for value received, will (subject to any right of prior redemption hereinafter provided for), on the Maturity Date specified above, pay to the Registered Owner named above, or registered assigns (the "Owner"), the Principal Amount stated above, in lawful money of the United States of America, and pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless (i) this Bond is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) this Bond is authenticated prior to January 15, 2017, in which event it shall bear interest from the Dated Date stated above; provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond) until payment of such Principal Amount in full, at the Interest Rate per annum stated above, payable on February 1 and August 1 in each year, commencing February 1, 2017 (each an "Interest Payment Date"), calculated on the basis of a 360-day year comprised of twelve 30-day months.

Principal hereof and premium, if any, upon early redemption hereof are payable at the corporate trust office of The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), in San Francisco, California. Interest hereon (including the final interest payment upon maturity or earlier redemption) is payable by check or draft of the Trustee mailed by first class mail to the Owner at the Owner's address as it appears on the registration books maintained by the Trustee as of the close of business on the fifteenth (15th) day of the month next preceding such Interest Payment Date (the "Record Date"); provided, that at the option of any Owner of at least \$1,000,000 aggregate principal amount of the Bonds with respect to which written instructions have been filed with the Trustee prior to the Record Date, such interest may be paid by wire transfer.

This Bond is one of a duly authorized issue of Bonds of the City designated as its "Solid Waste Revenue Bonds, Series 2016" (the "Bonds") issued under an Indenture of Trust (the "Indenture") by and between the City and the Trustee, dated as of October 1, 2016, and approved by the City by Resolution No. \_\_\_\_\_, adopted by the Council of the City on September 20, 2016 (the "Resolution"). Copies of the Indenture are on file at the office of the City Clerk and at the above-mentioned office of the Trustee, and reference to the Indenture and any and all supplements thereto and modifications and amendments thereof and to the Bond Law is made for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Net Revenues, as that term is defined in the Indenture, and the rights of the Owners of the Bonds. All the terms of the Indenture and the Bond Law are hereby incorporated herein and constitute a contract between the City and the Owner from time to time of this Bond, and to all the provisions thereof the Owner of this Bond, by acceptance hereof, consents and agrees. Each taker and subsequent Owner hereof shall have recourse to all of the provisions of the Indenture and shall be bound by all of the terms and conditions thereof.

The Bonds are being issued for the purpose of (i) financing improvements to the City's Solid Waste System, (ii) funding a reserve fund for the Series 2016 Bonds, and (iii) paying certain costs of issuing the Series 2016 Bonds.

The Bonds are special obligations of the City and are secured by amounts held from time to time in the Debt Service Fund established and held by the Trustee under the Indenture and, subject to certain restrictions set forth in the Indenture, a pledge of and lien on certain Net Revenues (as defined in the Indenture).

**Neither the general fund, the full faith and credit, nor the taxing power of the City, the State of California or any other political subdivision thereof is pledged to the payment of the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the City or any of its income or receipts except the Net Revenues.**

The City covenants in the Indenture that it will fix, prescribe, revise and collect Charges (as defined in the Indenture) in each Fiscal Year which are sufficient to yield Gross Revenues that are sufficient to pay certain amounts specified in the Indenture.

The Series 2016 Bonds maturing on or after August 1, 20\_\_, shall be subject to redemption prior to their respective maturity dates, as a whole or in part, in inverse order of maturity and by lot within a maturity, at the option of the City, on any date occurring on or after August 1, 2013, at the redemption price equal to the principal amount of the Series 2016 Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

City Agency shall be required to give the Trustee written notice of its intention to redeem Bonds under this subsection (a) and of the maturities selected for redemption at least forty (40) days prior to the date fixed for redemption (or such later date as shall be acceptable to the Trustee).

The Term Bonds maturing on August 1, 20\_\_ are also subject to mandatory redemption in part, by lot, on August 1 in each year commencing August 1, \_\_\_\_, from sinking fund payments made by the City to the Debt Service Fund pursuant to the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on August 1 in the respective years as set forth in the following table.

**Bonds Maturing August 1, \_\_\_\_**

<u>Year</u>	<u>Principal</u>

The Bonds are subject to redemption as a whole or in part on any date, in any order selected by the City, and if the City fails to so order, pro rata among maturities, and by lot within a maturity, to the extent of the net proceeds of hazard insurance not used to repair or rebuild the Solid Waste System or the net proceeds of condemnation awards received with respect to the Solid Waste System to be used for such purpose pursuant to the Indenture, at a Redemption Price equal to the principal amount of the Bonds plus interest accrued thereon to the date fixed for redemption, without premium.

Any Parity Bonds issued pursuant to the Indenture may be made subject to redemption prior to maturity, as a whole or in part, at such time or times, and upon payment of the principal amount thereof and accrued interest thereon plus such premium or premiums, if any, as may be determined by the City in the applicable Parity Bonds Instrument.

Unless waived by any Owner of Bonds to be redeemed, notice of any redemption of Bonds shall be given, at the expense of the City, by the Trustee by mailing a copy of a redemption notice by first class mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Registration Books; provided, that neither the failure to receive such notice nor any immaterial defect in any notice shall affect the sufficiency of the proceedings for the redemption of the Bonds. The written redemption notice of an optional redemption may be rescinded as provided in the Indenture.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

The Bonds are issuable as fully registered Bonds, without coupons, in denominations of \$5,000 or any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Indenture, Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations and of the same maturity.

This Bond is transferable by the Owner hereof, in person, or by his attorney duly authorized in writing, at the designated corporate trust office of the Trustee, but only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new Bond or Bonds, of any authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor.

The City and the Trustee may treat the Owner hereof as the absolute Owner hereof for all purposes, and the City and the Trustee shall not be affected by any notice to the contrary.

The Indenture may be amended without the consent of the Owners of the Bonds to the extent set forth in the Indenture.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time and manner as required by the laws of the State of California and that the amount of this Bond, together with all other

indebtedness of the City, does not exceed any limit prescribed by any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not become valid or obligatory for any purpose or be entitled to the benefits of the Indenture until the certificate of authentication and registration hereon shall have been manually signed by an authorized officer or signatory of the Trustee.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the City or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, the City of Napa has caused this Bond to be executed in its name and on its behalf with the facsimile signatures of its Mayor and its seal to be reproduced hereon and attested by the facsimile signature of its City Clerk, all as of the date specified below.

CITY OF NAPA

By \_\_\_\_\_  
Mayor

ATTEST:

By \_\_\_\_\_

Date:

City Clerk

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Dated: \_\_\_\_\_, 2016

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as *Trustee*

By: \_\_\_\_\_  
Authorized Signatory

## ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ whose address and social security or other tax identifying number is \_\_\_\_\_, the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed: \_\_\_\_\_

Note: Signature(s) must be guaranteed by an eligible guarantor institution (banks, stockbrokers, saving and loan associations and credit unions with membership in an approved signature medallion program) pursuant to Securities and Exchange Agency Rule 17Ad-15.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Certificate in every particular without alteration or enlargement or any change whatsoever.

**EXHIBIT B**  
**REQUISITION FROM IMPROVEMENT FUND**

**CERTIFICATE OF THE CITY**  
**REQUESTING DISBURSEMENT FROM IMPROVEMENT FUND**  
**REQUISITION NO. \_\_\_\_\_**

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting \_\_\_\_\_ of the City of Napa, a chartered city and municipal corporation duly organized and existing under the Constitution of the State of California (the "City") and as such, am familiar with the facts herein certified and am authorized to certify the same.

(ii) I am an "Authorized Official," as such term is defined in that certain Indenture of Trust, dated as of October 1, 2016 (the "Indenture"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

(iii) Under Section 3.03 of the Indenture, the undersigned hereby requests and authorizes the Trustee to disburse from the Improvement Fund established under the Indenture to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth opposite such payee, for payment or reimbursement of previous payment of a Project Cost (as defined in the Indenture) as described on attached Schedule A. Payments shall be made by check or wire transfer in accordance with the payment instructions set forth on Schedule A (or the invoice attached thereto) and the Trustee shall 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 or the authority under which they were given.

(iv) No portion of the amount herein requested to be disbursed was set forth in any City Certificate previously filed requesting disbursement.

Dated: \_\_\_\_\_

CITY OF NAPA

By: \_\_\_\_\_

Its: \_\_\_\_\_

## SCHEDULE A

Payee Name and Address

Purpose of Obligation

Amount



\$ \_\_\_\_\_  
**CITY OF NAPA**  
**SOLID WASTE REVENUE BONDS, SERIES 2016 (FEDERALLY TAXABLE)**  
**(MATERIALS DIVERSION FACILITY)**

**PURCHASE AGREEMENT**

September \_\_, 2016

City of Napa  
 955 School Street  
 Napa, California 94559

Ladies and Gentlemen:

The undersigned, Raymond James & Associates, Inc. (the “Underwriter”), acting not as a fiduciary or agent for you, but on behalf of itself, offers to enter into this purchase agreement (the “Purchase Agreement”) with the City of Napa (the “City”), which will be binding upon the City and the Underwriter upon the acceptance hereof by the City. This offer is made subject to its acceptance by the City by execution of this Purchase Agreement and its delivery to the Underwriter on or before 11:59 p.m., California Time, on the date hereof. All terms used herein and not otherwise defined shall have the respective meanings given to such terms in the Indenture of Trust, dated as of September 1, 2016 (the “Indenture”), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriter hereby agrees to purchase from the City, and the City hereby agrees to sell to the Underwriter, all (but not less than all) of the \$\_\_\_\_\_ aggregate principal amount of City of Napa Solid Waste Revenue Bonds, Series 2016 (Federally Taxable) (Materials Diversion Facility) (the “Bonds”). The purchase price for the Bonds shall be equal to \$\_\_\_\_\_ (being the aggregate principal amount thereof plus/less a net original issue premium/discount of \$\_\_\_\_\_ and less an Underwriter’s discount of \$\_\_\_\_\_).

2. Description of the Bonds. The Bonds shall be issued and sold to the Underwriter by the City pursuant to the Indenture, the Constitution and the laws of the State of California (the “State”), the provisions of the charter of the City (including, without limitation, Section 4 thereof) (the “Charter”), and a resolution of the City adopted on \_\_\_\_\_, 2016 (the “City Resolution”). The Bonds shall be as described in the Indenture and the Official Statement (as such term is defined herein) relating to the Bonds and shall mature and bear interest as set forth in Exhibit A attached hereto and incorporated herein by reference. Proceeds of the Bonds will be applied to: (i) fund improvements to the City’s Solid Waste System (ii) fund a reserve fund for the Bonds, and (iii) pay certain costs of issuing the Bonds.

The Bonds, this Purchase Agreement, the Indenture, and the Continuing Disclosure Certificate, dated as of the Closing Date (as such term is defined herein) and entered into by the City (the “Continuing Disclosure Certificate”) are collectively referred to herein as the “City Documents.”

3. Public Offering. The Underwriter agrees to make a bona fide public offering of all of the Bonds initially at the public offering prices (or yields) set forth on Exhibit A attached hereto and incorporated herein by reference. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds, provided that the Underwriter shall not change the interest rates set forth on Exhibit A. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices.

The City acknowledges and agrees that: (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm's-length commercial transaction between the City and the Underwriter; (ii) in connection with such transaction, including the process leading thereto, the Underwriter is acting solely as a principal and not as an agent or a fiduciary of the City; (iii) the Underwriter has neither assumed an advisory or fiduciary responsibility in favor of the City with respect to the offering of the Bonds or the process leading thereto (whether or not the Underwriter, or any affiliate of the Underwriter, has advised or is currently advising the City on other matters) nor has it assumed any other obligation to the City except the obligations expressly set forth in this Purchase Agreement, (iv) the Underwriter has financial and other interests that differ from those of the City; and (v) the City has consulted with its own legal and financial advisors to the extent it deemed appropriate in connection with the offering of the Bonds.

4. Delivery of Official Statement. The City has delivered or caused to be delivered to the Underwriter prior to the execution of this Purchase Agreement copies of the Preliminary Official Statement relating to the Bonds (the "Preliminary Official Statement"). Such Preliminary Official Statement is the official statement deemed final by the City for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the "Rule"), except for information permitted to be omitted therefrom pursuant to the Rule, and approved for delivery by resolution of the City.

Within seven (7) Business Days from the date hereof, the City shall deliver to the Underwriter a final Official Statement, executed on behalf of the City by an authorized representative of the City and dated the date hereof, which shall include information permitted to be omitted by paragraph (b)(1) of the Rule and with such other amendments or supplements as shall have been approved by the City and the Underwriter (the "Final Official Statement"). The Preliminary Official Statement and the Final Official Statement, including the cover pages, the appendices thereto and all information incorporated therein by reference are hereinafter referred to collectively as the "Official Statement." The Underwriter agrees that it will not confirm the sale of any Bonds unless the confirmation of sale is accompanied or preceded by the delivery of a copy of the Final Official Statement. The Underwriter agrees to deliver a copy of the Final Official Statement to the Municipal Securities Rulemaking Board (the "MSRB") through the Electronic Municipal Marketplace Access website of the MSRB, currently maintained on the Internet at <http://emma.msrb.org/>, on or before the Closing Date (as such term is defined herein), and the Underwriter agrees to comply with the requirements of MSRB Rule G-32 for delivery of a copy of the Final Official Statement, upon request of any customer who purchases a Bond, and otherwise to comply with all applicable statutes and regulations in connection with the sale of the Bonds.

5. The Closing. At 8:00 a.m., California Time, on \_\_\_\_\_, 2016 (the "Closing Date"), or at such other time or on such earlier or later Business Day as shall have been mutually agreed upon by the City and the Underwriter, the City will deliver: (i) the Bonds to the account of the Underwriter (through the facilities of The Depository Trust Company, New York, New York or through the FAST system), duly executed; and (ii) the closing documents hereinafter mentioned at the offices of Jones

Hall, A Professional Law Corporation (“Bond Counsel”), in San Francisco, California, or at another place to be mutually agreed upon by the City and the Underwriter. The Underwriter shall order CUSIP identification numbers and the City shall cause such CUSIP identification numbers to be printed on the Bonds, but neither the failure to print any such number on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the Underwriter to accept delivery of and pay for the Bonds in accordance with the terms of this Purchase Agreement. The Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof by federal wire transfer to the order of the Trustee on behalf of the City. Such payment and delivery, together with the delivery of the aforementioned documents, is herein called the “Closing.”

6. City Representations, Warranties and Covenants. The City represents and covenants to the Underwriter that:

(a) The City is a charter city and municipal corporation duly organized and existing under and by virtue of the laws of the State of California and the charter of the City.

(b) The City has full legal right, power and authority to adopt or enter into, as the case may be, and to carry out and consummate the transactions on its part contemplated by the City Documents.

(c) By all necessary official action, the City has duly adopted, authorized and approved the City Documents, has duly authorized and approved the Preliminary Official Statement and the Final Official Statement, and has duly adopted or authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in, the City Documents and the consummation by it of all other transactions contemplated by the City Documents in connection with the issuance of the Bonds. As of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming due execution and delivery by the other parties thereto, if applicable, the City Documents will constitute the legally valid and binding obligations of the City enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors’ rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against municipal corporations in the State. The City has complied, and will at the Closing be in compliance in all respects, with the terms of the City Documents.

(d) To the best of its knowledge, the City is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States of America, or any agency or instrumentality of either, 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, which breach or default has or may have an adverse effect on the ability of the City to perform its obligations under the City Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the City Documents, if applicable, and compliance with the provisions on the City’s part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party, nor will any such adoption, execution, delivery 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 instrument, except as may be provided by the City Documents.

(e) To the best of its knowledge, all material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the City of its obligations in connection with the City Documents have been duly obtained or, when required for future performance, are expected to be obtained, other than 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 Bonds, and except as described in or contemplated by the Preliminary Official Statement and the Final Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the City of its obligations under the City Documents have been duly obtained.

(f) [Reserved]

(g) The Preliminary Official Statement was as of its date, and the Final Official Statement is, and at all times subsequent to the date of the Final Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the Final Official Statement do not and up to and including the Closing will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading (except that this representation does not include information regarding The Depository Trust Company and its book-entry only system, information under the caption "UNDERWRITING," CUSIP numbers, prices and yields for the Bonds and any other information provided by the Underwriter, as to which no view is expressed).

(h) The City will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Underwriter, which consent will not be unreasonably withheld. The City will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental authority prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(i) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental authority, public board or body, pending, with service of process having been accomplished, or threatened in writing to the City: (i) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds, the City Documents or the consummation of the transactions contemplated thereby or hereby or the exclusion of the interest on the Bonds from taxation or contesting the powers of the City or its authority to issue the Bonds; (iii) which would be likely to result in any material adverse change relating to the business, operations or financial condition of the City; or (iv) contesting the completeness or accuracy of the Preliminary

Official Statement or the Final Official Statement or any supplement or amendment thereto, or asserting that the Preliminary Official Statement or the Final Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(j) There is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of paragraph 6(h).

(k) Until the date which is twenty-five (25) days after the “end of the underwriting period” (as such term is defined herein), if any event occurs of which the City is aware that would cause the Official Statement to contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements in the Official Statement, in light of the circumstances under which they were made, not misleading, the City shall forthwith notify the Underwriter of any such event of which it has knowledge and shall cooperate fully in furnishing any information available to it for any supplement to the Official Statement necessary, in the Underwriter’s reasonable opinion, so that the statements therein as so supplemented will not be misleading in light of the circumstances existing at such time, and the City shall promptly furnish to the Underwriter a reasonable number of copies of such supplement. As used herein, the term “end of the underwriting period” means the later of such time as: (i) the City delivers the Bonds to the Underwriter; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the “end of the underwriting period” shall be deemed to be the Closing Date. Any notice delivered pursuant to this provision shall be written notice delivered to the Underwriter at or prior to the Closing Date of the Bonds and shall specify a date (other than the Closing Date) to be deemed the “end of the underwriting period.”

(l) Except as disclosed in the Preliminary Official Statement and the Final Official Statement, the City has not within the last five years failed to comply in any material respect with any continuing disclosure undertakings with regard to the Rule.

7. Closing Conditions. The Underwriter has entered into this Purchase Agreement in reliance upon the representations, warranties and covenants herein and the performance by the City of its obligations hereunder, both as of the date hereof and as of the Closing Date. The Underwriter’s obligations under this Purchase Agreement to purchase and pay for the Bonds shall be subject to the following additional conditions:

(a) The representations, warranties and covenants of the City contained herein shall be true, complete and correct in all material respects at the date hereof and at the time of the Closing, as if made on the Closing Date.

(b) At the time of the Closing: (i) the City Documents shall be in full force and effect, and shall not have been amended, modified or supplemented except with the written consent of the Underwriter; and (ii) there shall 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 the Official Statement and the City Documents.

(c) The Underwriter shall have the right to terminate this Purchase Agreement, without liability therefor, by notification to the City if at any time at or prior to the Closing:

(i) any event shall occur which, in the reasonable opinion of the Underwriter, causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading; or

(ii) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by disruptive events, occurrences or conditions in the securities or debt markets; or

(iii) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of this Purchase Agreement in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any Federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State authority materially adversely affecting the federal or State tax status of the City, or the interest on bonds or notes or obligations of the general character of the Bonds; or

(iv) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State, or a decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Bonds; or

(v) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Indenture needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(vi) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any

national securities exchange which restrictions materially adversely affect the Underwriter's ability to trade the Bonds; or

(vii) a general banking moratorium shall have been established by federal or State authorities or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of a determination by that Exchange or by orders of the Securities and Exchange Commission or any other governmental authority; or

(viii) the United States has become engaged in hostilities which have resulted in a declaration of war or a national emergency or there has occurred any other outbreak of hostilities or a national or international calamity or crisis, or there has occurred any escalation of existing hostilities, calamity or crisis, financial or otherwise, the effect of which on the financial markets of the United States being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Bonds; or

(ix) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by any of the following events or occurrences: (1) any rating of the Bonds shall have been downgraded, suspended or withdrawn by a national rating service, or (2) any rating of the Insurer shall have been downgraded, suspended or withdrawn by a national rating service, or (3) there shall have been any official statement by a national rating service as to a possible downgrading (such as being placed on "credit watch" or "negative outlook" or any similar qualification), or (4) any notice shall have been given of any intended downgrading, suspension, withdrawal or negative change in credit watch status by any national rating service to any of the City's obligations; or

(x) the commencement of any action, suit or proceeding described in Section 6(h) hereof which, in the judgment of the Underwriter, materially adversely affects the market price of the Bonds; or

(xi) there shall exist any event which in the reasonable opinion of the Underwriter that either: (i) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement; or (ii) is not reflected in the Official Statement but should be reflected therein to make the statements and information contained therein not misleading in any material respect; or

(xii) there shall be in force a general suspension of trading on the New York Stock Exchange.

(d) At or prior to the Closing, the Underwriter shall receive with respect to the Bonds (unless the context otherwise indicates) the following documents; provided that the acceptance of the Bonds by the Underwriter on the Closing Date shall conclusively evidence the satisfaction of the requirements of this subsection (d) or the waiver by the Underwriter of any discrepancies in documents which are not in strict conformity with the requirements of this subsection (d):

(i) *Bond Counsel Opinion.* An approving opinion of Bond Counsel dated the Closing Date and substantially in the form appended to the Official Statement, together with a letter from such counsel, addressed to the Underwriter and dated the Closing Date, to the effect that the

approving opinion may be relied upon by the Underwriter to the same extent as if such opinion were addressed to the Underwriter.

(ii) *Supplemental Opinion.* A supplemental opinion or opinions of Bond Counsel, addressed to the Underwriter, in form and substance acceptable to the Underwriter, and dated the Closing Date substantially to the following effect:

(A) The Purchase Agreement has been duly executed and delivered by the City and, assuming due authorization, execution and delivery by the other parties thereto, if applicable, constitutes the valid and binding agreement of the City;

(B) The statements contained in the Official Statement pertaining to the Bonds on the front cover page and under the captions [“INTRODUCTION,” “FINANCING PLAN,” “THE BONDS,” “SECURITY FOR THE BONDS” and “LEGAL MATTERS — Tax Matters” and in Appendices C and F,] insofar as such statements purport to summarize certain provisions of the Bonds, the Indenture and the final approving opinion of Bond Counsel, excluding any material that may be treated as included under such captions by cross-reference, are accurate in all material respects; and

(C) The Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Indenture is exempt from qualification as an indenture under the Trust Indenture Act of 1939, as amended.

(iii) *City Attorney Opinion.* An opinion of the City Attorney, addressed to the Underwriter, in form and substance acceptable to Bond Counsel and the Underwriter, dated the Closing Date, substantially to the following effect (and including such additional matters as may be reasonably required by Bond Counsel or the Underwriter):

(A) The City is a municipal corporation and charter city, duly organized and existing under and by virtue of the laws of the State and the charter of the City;

(B) The City Resolution has been duly adopted at a meeting of the City that was duly called, noticed and conducted, at which a quorum was present and acting throughout, and the City Resolution is in full force and effect and has not been modified, amended, rescinded or repealed since the dates of its adoption;

(C) The City Documents have been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the other parties thereto, if applicable, constitute the valid, legal and binding agreements of the City enforceable in accordance with their respective terms;

(D) The information in the Official Statement (excluding therefrom financial statements and other statistical data, information regarding The Depository Trust Company and its book-entry only system, information under the caption “UNDERWRITING,” CUSIP numbers, prices and yields for the Bonds and any other information provided by the Underwriter, as to which no view need be expressed) does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;



(E) Except as otherwise disclosed in the Official Statement and to the best knowledge of such counsel after due inquiry, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental authority or body, pending, with service of process having been accomplished, or threatened in writing against the City, challenging the creation, organization or existence of the City or the validity of the City Documents, seeking to restrain or enjoin the repayment of the Bonds, in any way contesting or affecting the validity of the City Documents or contesting the authority of the City to enter into or perform its obligations under any of the City Documents, or which, in any manner, questions the right of the City to pay debt service on the Bonds or affects in any manner the right or ability of the City to collect or pledge the Net Revenues; and

(F) Except as otherwise disclosed in the Official Statement, there are no outstanding bonds, notes or other obligations of the City which are payable from the Net Revenues.

(iv) *Disclosure Counsel Letter.* A letter of Jones Hall, A Professional Law Corporation (“Disclosure Counsel”), dated the Closing Date, addressed to the Underwriter, to the effect that, based upon its participation in the preparation of the Official Statement and without having undertaken to determine independently the fairness, accuracy or completeness of the statements contained in the Official Statement, but on the basis of its participation in conferences with the Underwriter, Stradling Yocca Carlson & Rauth, a Professional Corporation, counsel to the Underwriter (“Underwriter’s Counsel”), the City, the City Attorney, and others, and its examination of certain documents, Disclosure Counsel has no reason to believe that, as of the date of the Closing, the Official Statement (excluding therefrom the reports, financial and statistical data and forecasts therein and the information included in the Appendices thereto and information relating to DTC, as to which no advice need be expressed) contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(v) *Trustee Counsel Opinion.* An opinion of counsel to the Trustee, addressed to the Underwriter and dated the Closing Date, in form and substance satisfactory to the Underwriter and to Bond Counsel.

(vi) *City Documents.*

(A) A certified copy of the City Resolution; and

(B) A certificate of the City Clerk to the effect that the City Resolution is in full force and effect and has not been modified, amended, rescinded or repealed since the date of its adoption.

(vii) *Official Statement.* The Preliminary Official Statement and the executed Final Official Statement and each supplement or amendment, if any, thereto.

(viii) *Indenture.* The Indenture, executed by the City and the Trustee.

(ix) *Continuing Disclosure Certificate.* The Continuing Disclosure Certificate, executed by the City.

(x) *Trustee Resolution.* A certified copy of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Indenture and the authentication and delivery of the Bonds by the Trustee.

(xi) *Purchase Agreement.* This Purchase Agreement, executed by the City and the Underwriter.

(xii) *City Certificate re Materials Diversion Facility and the Operator* in form and substance satisfactory to the Underwriter;

(xiii) *City Rule 15c2-12 Certificate.* A certificate, dated the date of the Preliminary Official Statement, of the City to the effect that, for purposes of compliance with the Rule, the City deems the Preliminary Official Statement to be final as of its date.

(xiv) *Reserved.*

(xv) *Notices to State.* Copies of the preliminary and final notices to the California Debt and Investment Advisory Commission relating to the Bonds.

(xvi) *City Certificate.* A certificate of the City, dated the Closing Date, signed on behalf of the City by a duly authorized officer of the City to the following effect:

(A) The representations, warranties and covenants of the City contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date, and the City has complied with all of the terms and conditions of this Purchase Agreement required to be complied with by the City at or prior to the Closing Date; and

(B) No event affecting the City has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto that would cause the Official Statement to contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(xvii) *Trustee Certificate.* A certificate or certificates of the Trustee, addressed to the City and the Underwriter and dated the Closing Date, in form and substance acceptable to the Underwriter and to Bond Counsel.

(xviii) *Ratings.* Evidence that the ratings on the Bonds are as described in the Official Statement.

(xix) *Specimen Bonds.* Specimen Bonds, executed by the City and authenticated by the Trustee.

(xx) *Underwriter's Counsel Opinion.* An opinion of Underwriter's Counsel, addressed to the Underwriter and in form and substance satisfactory to the Underwriter.

(xxi) *Letter of Representations.* A copy of the executed Blanket Issuer Letter of Representations by and between the City and DTC relating to the book entry system, or an acknowledgement from DTC that such a letter is on file with DTC.

(xxii) *Continuing Disclosure Compliance Report.* A report of Municipal Disclosure Advisors addressed to the Underwriter in form and substance acceptable to the Underwriter as to compliance by the City and its related entities with their respective continuing disclosure undertakings during the previous five years.

(xxiii) *Other.* Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the Closing Date, of the representations contained herein and in the Official Statement and the due performance or satisfaction by the Trustee and the City at or prior to such time of all agreements then to be performed and all conditions then to be satisfied in connection with the delivery and sale of the Bonds.

If the City shall be unable to satisfy the conditions contained in this Purchase Agreement, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriter nor the City shall be under any further obligation hereunder.

8. Expenses. The City will pay or cause to be paid the expenses incident to the performance of its obligations hereunder and certain expenses relating to the sale of the Bonds, including, but not limited to: (a) the cost of the preparation and printing or other reproduction of the City Documents (other than this Purchase Agreement); (b) the fees and disbursements of Bond Counsel and Disclosure Counsel, the City's financial advisor and any other experts or other consultants retained by the City; (c) the costs and fees of the credit rating agencies; (d) the cost of preparing and delivering the definitive Bonds; (e) the cost of providing immediately available funds on the Closing Date; and (f) the cost of the printing or other reproduction of the Official Statement and any amendment or supplement thereto, including a reasonable number of certified or conformed copies thereof.

The Underwriter will pay the expenses of the preparation of this Purchase Agreement and all other expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds, including California Debt and Investment Advisory Commission fees and the fee and disbursements of Underwriter's Counsel and all other expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds.

9. Notices. Any notice or other communication to be given to the City under this Purchase Agreement may be given by delivering the same in writing to such entity at the address set forth above. Any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to Raymond James & Associates, Inc., One Embarcadero Center, Suite 650, San Francisco, CA 94111, Attention: Wing-See Fox.

10. Entire Agreement. This Purchase Agreement, when accepted by the City, shall constitute the entire agreement between the City and the Underwriter and is made solely for the benefit of the City and the Underwriter (including the successors or assigns of the Underwriter). No other person shall acquire or have any right hereunder by virtue hereof, except as provided herein. All of the City's representations, warranties and agreements in this Purchase Agreement shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Underwriter, until the earlier of: (i) delivery of and payment for the Bonds hereunder; and (ii) any termination of this Purchase Agreement.

11. Counterparts. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

12. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

13. State of California Law Governs. The validity, interpretation and performance of this Purchase Agreement shall be governed by the laws of the State.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

14. No Assignment. The rights and obligations created by this Purchase Agreement shall not be subject to assignment by the Underwriter or the City without the prior written consent of the other party hereto.

RAYMOND JAMES & ASSOCIATES, INC.

By: \_\_\_\_\_  
Its: \_\_\_\_\_, Authorized Officer

Accepted as of the date first stated above:

CITY OF NAPA

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Time of Execution: \_\_\_\_\_

## EXHIBIT A

MATURITY SCHEDULE

**CITY OF NAPA**  
**Solid Waste Revenue Bonds, Series 2016**  
**(Federally Taxable) (Materials Diversion Facility)**

<i>Maturing September 1</i>	<i>Amount</i>	<i>Coupon</i>	<i>Yield</i>	<i>Price</i>
	\$	%	%	

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\* Term Bonds

C Priced to the optional redemption date of \_\_\_\_ 1, 20\_\_ at par.

**PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2016****NEW ISSUE - FULL BOOK-ENTRY**

**RATINGS: S&P (Insured): " "**  
**S&P (Underlying): " "**  
 See "Ratings"

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is exempt from California personal income taxes. The interest on the Bonds is not excluded from gross income for federal income tax purposes. See "TAX MATTERS."*



**City of Napa**  
**\$ \_\_\_\_\_ \***  
**Solid Waste Revenue Bonds,**  
**Series 2016 (Federally Taxable)**  
**(Napa Materials Diversion Facility)**  
**(Green Bonds)**

Dated: Date of Delivery

Due: August 1, as shown on inside cover

**Authority for Issuance.** The bonds captioned above (the "Bonds") are being issued by the City of Napa (the "City") under an Indenture of Trust dated as of October 1, 2016 (the "Indenture"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee. See "THE BONDS – Authority for Issuance."

**Security for the Bonds.** The Bonds are special obligations of the City, payable solely from the Net Revenues (as defined herein) of the "Solid Waste Enterprise System," which is defined as the existing solid waste collection, recycling and disposal system of the City, comprising all facilities for the collection, disposal or recycling of solid waste generated by residents and commercial and industrial entities in the City, including refuse and recyclables. The Bonds are also secured by amounts on deposit in the funds and accounts established under the Indenture, including a reserve fund established for the Bonds, as and to the extent provided in the Indenture. See "SECURITY FOR THE BONDS."

**Future Parity Debt.** Additional series of bonds or other debt may be issued that are payable from Net Revenues on a parity with the Bonds, subject to the conditions contained in the Indenture. See "SECURITY FOR THE BONDS – Parity Debt."

**Use of Proceeds.** The Bonds are being issued for the purpose of (i) financing improvements to the City's Solid Waste Enterprise System, (ii) funding a reserve fund for the Bonds, and (iii) paying certain costs of issuing the Bonds. See "FINANCING PLAN."

**Bond Terms; Book-Entry Only.** The Bonds will bear interest at the rates shown on the inside cover, payable semiannually on August 1 and February 1 of each year, commencing on February 1, 2017, and will be issued in fully registered form without coupons in the denomination of \$5,000 or any integral multiple of \$5,000. The Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Payments of the principal of, premium, if any, and interest on the Bonds will be made to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – General Provisions."

**Redemption.** The Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity. See "THE BONDS – Redemption."

**Bond Insurance.** The scheduled payment of principal and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the issuance of the Bonds by \_\_\_\_\_. See BOND INSURANCE."

[INSURER LOGO]

NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT OF THE BONDS OR INTEREST THEREON. THE BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, OR LIEN, OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE CITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE NET REVENUES OF THE SOLID WASTE ENTERPRISE SYSTEM AND AMOUNTS ON DEPOSIT IN THE FUNDS AND ACCOUNTS ESTABLISHED UNDER THE INDENTURE AS AND TO THE EXTENT PROVIDED IN THE INDENTURE.

**MATURITY SCHEDULE**  
**(see inside cover)**

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE OF BONDS. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE PURCHASE OF THE BONDS. INVESTMENT IN THE BONDS INVOLVES RISKS THAT MAY NOT BE APPROPRIATE FOR SOME INVESTORS. SEE "RISK FACTORS."

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon for the City by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney. Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, as Underwriter's Counsel. It is anticipated that the Bonds, in book-entry only form, will be available through the facilities of DTC on or about \_\_\_\_\_, 2016.

The date of this Official Statement is: \_\_\_\_\_, 2016

\* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

**MATURITY SCHEDULE\***

\$ \_\_\_\_\_ **Serial Bonds**  
**(Base CUSIP†: \_\_\_\_\_)**

Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
------------------------	---------------------	------------------	-------	-------	--------

\$ \_\_\_\_ % Term Bond due August 1, 20\_\_\_\_, Yield: \_\_\_\_%, Price: \_\_\_\_%  
 CUSIP† No. \_\_\_\_

† Copyright 2016, S&P Global Services, managed by Standard & Poor's Capital IQ. CUSIP data herein are provided for convenience of reference only. Neither the City nor the Underwriter assumes any responsibility for the accuracy of CUSIP data.

\* Preliminary; subject to change



## **CITY OF NAPA**

### **CITY COUNCIL**

Jill Techel, *Mayor*  
Mary Luros, *Vice-Mayor*  
Peter Mott, *Councilmember*  
Juliana Inman, *Councilmember*  
Scott Sedgley, *Councilmember*

### **CITY OFFICIALS**

Mike Parness, *City Manager*  
Nancy Weiss, *Assistant City Manager*  
Jacques LaRochelle, *Public Works Director*  
Philip Brun, *Deputy Public Works Director (Operations)*  
Roberta Raper, *Finance Director*  
Kevin Miller, *Materials Diversion Administrator (Recycling Manager)*  
Michael W. Barrett, *City Attorney*  
Dorothy Roberts, *City Clerk*

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### **BOND COUNSEL AND DISCLOSURE COUNSEL**

Jones Hall, A Professional Law Corporation  
*San Francisco, California*

### **MUNICIPAL ADVISOR**

NHA Advisors, LLC  
*San Rafael, California*

### **TRUSTEE**

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

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

**Effective Date.** This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City or the Solid Waste Enterprise System since the date of this Official Statement.

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

**Preparation of this Official Statement.** The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

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

**Stabilization of and Changes to Offering Prices.** The Underwriters may over allot or take other steps that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

**Bonds are Exempt from Securities Laws Registration.** The issuance and sale of the Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

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

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

**Bond Insurance.** \_\_\_\_\_ (the "Bond Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, the Bond Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Bond Insurer supplied by the Bond Insurer and presented under the heading "BOND INSURANCE" and "Appendix G – Specimen Bond Insurance Policy."

**Internet Site.** The City maintains an internet site; however, none of the information contained on that internet site is incorporated by reference in this Official Statement.

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**LOCATION MAP**

**SITE PLAN OF NAPA MDF**

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**OFFICIAL STATEMENT**

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City of Napa  
\$ \_\_\_\_\_<sup>\*</sup>  
**Solid Waste Revenue Bonds,  
Series 2016 (Federally Taxable)  
(Napa Materials Diversion Facility)  
(Green Bonds)**

**INTRODUCTION**

*This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. Capitalized terms used but not defined in this Official Statement have the meanings given in the Indenture (as defined below). See "APPENDIX C – Summary of Certain Provisions of the Indenture."*

**Authority for Issuance.** The bonds captioned above (the "**Bonds**") are being issued by the City of Napa (the "**City**") under an Indenture of Trust dated as of October 1, 2016 (the "**Indenture**"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "**Trustee**"). See "THE BONDS – Authority for Issuance."

**Security for the Bonds.** The Bonds are special obligations of the City, payable solely from the Net Revenues (as defined herein) of the "**Solid Waste Enterprise System**," which is defined as the existing solid waste collection, recycling and disposal system of the City, comprising all facilities for the collection, disposal or recycling of solid waste generated by residents and commercial and industrial entities in the City, including refuse and recyclables. The Bonds are also secured by amounts on deposit in the funds and accounts established under the Indenture, including a reserve fund established for the Bonds, as and to the extent provided in the Indenture. See "SECURITY FOR THE BONDS."

**Future Parity Debt.** Additional series of bonds or other debt may be issued that are payable from Net Revenues on a parity with the Bonds, subject to the conditions contained in the Indenture. See "SECURITY FOR THE BONDS – Parity Obligations."

**Purpose of the Bonds.** The Bonds are being issued to provide funds to:

- (i) finance improvements to the City's Solid Waste Enterprise System,
- (ii) fund a reserve fund for the Bonds, and

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<sup>\*</sup> Preliminary; subject to change.

(iii) pay certain costs of issuing the Bonds.

See "FINANCING PLAN."

**Rate Covenant.** Under the Indenture, the City is obligated to fix, prescribe, revise, and collect charges for the Solid Waste Enterprise System during each Fiscal Year that are sufficient to yield Net Revenues of at least 125% of Debt Service on the Bonds in that Fiscal Year. See "SECURITY FOR THE BONDS – Rate Covenants."

**Bond Insurance.** Concurrently with the issuance of the Bonds, \_\_\_\_\_ (the "Bond Insurer") will issue its \_\_\_\_\_ Policy (the "**Bond Insurance Policy**") for the Bonds. The Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the Bond Insurance Policy included as Appendix G to this Official Statement. See "BOND INSURANCE."

**Risks of Investment.** The Bonds are repayable only from certain money available to the City from the Solid Waste Enterprise System. For a discussion of some of the risks associated with the purchase of the Bonds, see "RISK FACTORS."

THE BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, OR LIEN, OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE CITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE NET REVENUES OF THE SOLID WASTE ENTERPRISE SYSTEM AND AMOUNTS ON DEPOSIT IN THE FUNDS AND ACCOUNTS ESTABLISHED UNDER THE INDENTURE AS AND TO THE EXTENT PROVIDED IN THE INDENTURE.

## FINANCING PLAN

### General

The Bonds are being issued for the primary purpose of financing the City's acquisition and construction of capital improvements to the Solid Waste Enterprise System, which are anticipated to consist generally of improvements to the City-owned Materials Diversion Facility ("**Napa MDF**") including a Covered Composting System, Stormwater Upgrades and other Capital Improvements to the Napa MDF. See "THE SOLID WASTE ENTERPRISE SYSTEM – Capital Improvement Program" for additional details on these anticipated improvements.

Although the City anticipates using the proceeds of the Bonds to fund the improvements to the Napa MDF described above under "THE SOLID WASTE ENTERPRISE SYSTEM – Capital Improvement Program," the City has not entered into a construction contract for those improvements, and no assurance can be given that such a contract will be entered into in a timely manner, if at all. If for any reason the City chooses not to fund these improvements, the Indenture permits moneys in the Improvement Fund held by the Trustee under the Indenture to be used for any addition, extension, improvement, equipment, machinery or other facilities to or for the Solid Waste Enterprise System. See "RISK FACTORS – Use of Bond Proceeds; Financial Projections" herein.

### Issuance as Green Bonds

The City is issuing the Bonds as "Green Bonds" due to the intended use of the proceeds. The designation of the Bonds as Green Bonds is intended to allow investors the opportunity to invest directly in bonds that finance environmentally beneficial projects. The term "Green Bonds" is not defined in the Indenture, and its use in this Official Statement is for identification purposes only and is not intended to provide or imply that the holders of the Bonds are entitled to any additional terms or security in addition to those provided in the Indenture.

Use of the proceeds of the Bonds will be tracked by the City. The City will post updates regarding the use of proceeds of the Bonds with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) system, currently located at [www.emma.msrb.org](http://www.emma.msrb.org) (which website is not incorporated into this Official Statement by reference), annually, and will post a final list of projects funded once all proceeds of the Bonds have been spent. A form of this report is attached as APPENDIX H.

The City currently expects the projects to be completed by the end of 2018. Once all proceeds of the Bonds have been spent, no further updates regarding the projects will be provided or filed.



**Estimated Sources and Uses of Funds**

The table below sets forth the estimated sources and uses of Bond proceeds:

Sources of Funds

Par Amount of Bonds	\$
Plus/Less Original Issue Premium/Discount	
<i>Total Sources</i>	<hr/> \$

Uses of Funds

Deposit to Improvement Fund	\$
Deposit to Reserve Account [1]	
Deposit to Costs of Issuance Fund [2]	
Underwriter's Discount	
<i>Total Uses</i>	<hr/> \$

[1] Equal to Reserve Requirement for the Bonds on the Closing Date.

[2] Includes initial Trustee fees and expenses, Municipal Advisor fees, legal fees for Bond Counsel and Disclosure Counsel, rating agency fees, printing costs, Bond Insurance Policy premium, and other miscellaneous bond issuance and delivery costs.

## THE BONDS

*This section provides summaries of the Bonds and certain provisions of the Indenture. See APPENDIX C for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX C.*

### Authority for Issuance

The Bonds are being issued pursuant to (i) the charter of the City, specifically Section 4 thereof, (ii) the Indenture, and (iii) a resolution adopted by the City Council of the City on September 20, 2016.

### General Bond Terms

**Bond Terms.** The Bonds will be dated their date of delivery and issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000, so long as no Bond has more than one maturity date. The Bonds will mature in the amounts and on the dates, and bear interest at the rates per annum, set forth on the inside cover page of this Official Statement.

**Payments.** Interest on the Bonds will be payable on February 1 and August 1 of each year to maturity, beginning February 1, 2017 (each an “**Interest Payment Date**”).

Interest on the Bonds will be payable on each Interest Payment Date to the person whose name appears on the Bond Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check or draft of the Trustee mailed by first class mail to the Owner or, at the option of any Owner of at least \$1,000,000 aggregate principal amount of the Bonds with respect to which written instructions have been filed with the Trustee prior to the Record Date, by wire transfer, at the address of such Owner as it appears on the Bond Registration Books.

If there exists a default in payment of interest due on such Interest Payment Date, such interest shall be payable on a payment date established by the Trustee to the persons in whose names the Bonds are registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Trustee to the registered Owners of the Bonds not less than 15 days preceding such special record date.

Principal of and premium (if any) on any Bond will be paid upon presentation and surrender thereof at the Principal Corporate Trust Office of the Trustee in San Francisco, California.

Both the principal of and interest and premium (if any) on the Bonds shall be payable in lawful money of the United States of America.

*However, as long as Cede & Co. is the registered owner of the Bonds, as described below, payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co.*

**Calculation of Interest.** The Bonds will be dated the Closing Date and bear interest based on a 360-day year comprised of twelve 30-day months from the Interest Payment Date

next preceding the date of authentication thereof, unless that date of authentication is an Interest Payment Date, in which event such interest is payable from such date of authentication, and unless said date of authentication is prior to January 15, 2017, in which event such interest is payable from the Closing Date; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond will bear interest from the date to which interest has previously been paid or made available for payment thereon in full.

**Record Date.** The Indenture defines the “**Record Date**” for the Bonds as the 15th calendar day of the month immediately preceding an Interest Payment Date.

**Book-Entry Only System.** The Bonds will be registered in the name of Cede & Co., as nominee of the Depository Trust Company (“DTC”) as the initial securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Purchasers of the Bonds will not receive physical bonds representing their ownership interests in the Bonds purchased.

Principal and interest payments with respect to the Bonds are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Bonds. See APPENDIX E.

*So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references in this Official Statement to the “owners” mean Cede & Co., and not the purchasers or Beneficial Owners of the Bonds. See APPENDIX E.*

## Redemption

**Optional Redemption.** Bonds maturing prior to August 1, 20\_\_, are not subject to optional redemption. The Bonds maturing on or after August 1, 20\_\_, are subject to redemption prior to their respective maturity dates, as a whole or in part, at the option of the City, on any date occurring on or after August 1, 20\_\_, at the Redemption Price equal to the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

**Mandatory Sinking Fund Redemption.** The Term Bonds maturing on August 1, 20\_\_ are also subject to mandatory redemption in part, by lot, on August 1 in each year commencing August 1, 20\_\_, from sinking fund payments made by the City to the Debt Service Fund pursuant to the Indenture, at a Redemption Price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on August 1 in the respective years as set forth in the following table.

### Term Bonds Maturing August 1, 20\_\_

Year (August 1)	Principal Amount
<hr/>	

If some but not all of the Term Bonds have been redeemed pursuant to the optional redemption provisions of the Indenture, the total amount of all future sinking fund payments

shall be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the City to the Trustee).

**Notice of Redemption.** Unless waived by any Owner of Bonds to be redeemed, notice of any redemption of Bonds will be given, at the expense of the City, by the Trustee by mailing a copy of a redemption notice by first class mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Registration Books; provided, that neither the failure to receive such notice nor any immaterial defect in any notice will affect the sufficiency of the proceedings for the redemption of the Bonds.

Such redemption notices may be conditional.

**Rescission of Redemption.** The City has the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of optional redemption will be canceled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the outstanding Bonds then called for redemption, and such cancellation will not constitute an Event of Default under the Indenture. The City and the Trustee will have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

**Effect of Redemption.** If notice of redemption has been given as set forth in the Indenture, the Bonds or portions of Bonds so to be redeemed will, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City defaults in the payment of the redemption price) such Bonds or portions of Bonds will cease to have interest accrue thereon.

Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds will be paid by the Trustee at the redemption price. Installments of interest due on or prior to the redemption date will be payable as provided in the Indenture for payment of interest.

Upon surrender for any partial redemption of any Bond, there will be prepared for the Owner a new Bond or Bonds of the same maturity in the amount of the unredeemed principal.

All Bonds that have been redeemed will be cancelled and destroyed by the Trustee and will not be redelivered.

Neither the failure of any Bond Owner to receive any notice so mailed nor any defect therein will affect the sufficiency of the proceedings for redemption of any Bonds nor the cessation of accrual of interest thereon.

**Selection of Bonds for Redemption.** If only a portion of any Bond is called for redemption, then upon surrender of such Bond redeemed in part only, the City will execute and the Trustee will authenticate and deliver to the Owner, at the expense of the City, a new Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

**Registration, Transfer and Exchange**

***Bond Registration Books.*** The Trustee will keep or cause to be kept at its trust office sufficient Bond Registration Books for the registration and transfer of the Bonds, which will at all times during regular business hours, and upon reasonable notice, be open to inspection by the City; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as provided in the Indenture.

***Transfer of Bonds.*** Any Bond may, in accordance with its terms, be transferred upon the Bond Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed.

Whenever any Bond is surrendered for transfer, the City will execute and the Trustee will thereupon authenticate and deliver to the transferee a new Bond or Bonds of like tenor, maturity and aggregate principal amount.

No Bonds the notice of redemption of which has been mailed pursuant to the Indenture will be subject to transfer pursuant to this provision of the Indenture.

***Exchange of Bonds.*** Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee, for Bonds of the same tenor and maturity and of other authorized denominations. No Bonds the notice of redemption of which has been mailed pursuant to the Indenture will be subject to exchange pursuant to this provision of the Indenture.

**Debt Service Schedule**

The following table sets forth the annual debt service on the Bonds (assuming no Optional Redemption of the Bonds).

**Debt Service Schedule**

August 1	Principal	Interest	Total Debt Service
	\$	\$	\$
Totals	\$	\$	\$

## SECURITY FOR THE BONDS

*This section provides summaries of the security for the Bonds and certain provisions of the Indenture. See APPENDIX C for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX C.*

*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 Bonds. The principal or redemption price of and interest on the Bonds are not a debt of the City for purposes of the California Constitutional debt limit applicable to cities, 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. The Owners of the Bonds may not compel the exercise of the taxing power by the City or the forfeiture of its property.*

### Gross Revenues, Net Revenues and Maintenance and Operation Costs

**Pledge of Net Revenues.** Under the Indenture, the City transfers, places a charge upon, assigns and sets over to the Trustee, for the benefit of the Owners of the Bonds and any Parity Bonds, that portion of the Net Revenues that is necessary to pay the principal or Redemption Price of and interest on the Bonds or any Parity Bonds in any Fiscal Year.

In addition, under the Indenture the City transfers, places a charge upon, assigns and sets over to the Trustee, for the benefit of the Owners of the Bonds, all moneys on deposit in the Debt Service Fund.

The foregoing pledge described constitutes a first, direct and exclusive charge and lien on the Net Revenues and the moneys in the Debt Service Fund, as applicable, in accordance with the terms of the Indenture.

**Definition of Net Revenues.** As used herein, the following terms have the following meanings:

**“Net Revenues”** means Gross Revenues minus Maintenance and Operation Costs.

**“Gross Revenues”** means, with respect to Solid Waste Enterprise System, all revenue received by the City from the levy of Charges, and all other gross income and receipts derived by the City from the ownership and operation of the Solid Waste Enterprise System or otherwise arising with respect to the Solid Waste Enterprise System, including but not limited to investment earnings thereon; but excluding (a) the proceeds of any ad valorem property taxes levied for the purpose of paying general obligation bonds of the City relating to the Solid Waste Enterprise System and (b) the proceeds of any special assessments or special taxes levied upon real property within any improvement district for the purpose of paying special assessment bonds or special tax obligations of the City relating to the Solid Waste Enterprise System.

**“Maintenance and Operation Costs”** means the reasonable and necessary costs spent or incurred by the City or a Contractor for collecting, recycling and disposing of Solid Waste, and all reasonable and necessary expenses of management and repair and other expenses to collect, recycle and dispose of Solid Waste, and including all

reasonable and necessary administrative costs of the City or the Contractor attributable to the collection, recycling and disposal of Solid Waste, such as landfill closure costs, salaries and wages and the necessary contribution to retirement of employees, overhead, insurance, taxes (if any), expenses, compensation and indemnification of the Trustee, and fees of auditors, accountants, attorneys or engineers, and including all other reasonable and necessary costs of the City or the Contractor or charges required to be paid by the City or the Contractor to comply with the terms of the Bonds or the Indenture, but excluding depreciation, interest expense, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature. Although it would be consistent with generally accepted accounting principles to characterize it as a Maintenance and Operation Cost, the Solid Waste Enterprise System's contribution to the City's Street Resurfacing Fund to pay for the impact of refuse vehicles on City streets shall not be paid as a Maintenance and Operation Cost pursuant to the Indenture.

***Receipt, Deposit and Application of Gross Revenues.*** Under the Indenture, the City covenants and agrees that all Gross Revenues, when and as received, will be held by the City in the Solid Waste and Materials Diversion Fund, and will be deposited by the City, or caused to be deposited, in the Solid Waste and Materials Diversion Fund, and will be accounted for through and held in trust in the Solid Waste and Materials Diversion Fund, and the City will only have such beneficial right or interest in any of such money as provided in this Indenture.

All such Gross Revenues will be transferred, disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture, and will be accounted for separately and apart from all other money, funds, accounts or other resources of the City and the Contractor.

The City covenants to hold the Solid Waste and Materials Diversion Fund in trust for the benefit of the Owners of the Bonds. For purposes of record-keeping, the City may establish and maintain separate accounts within the Solid Waste and Materials Diversion Fund.

Gross Revenues deposited in the Solid Waste and Materials Diversion Fund will be applied by the City to pay the following amounts when due, in the following order of priority:

- (i) to pay Maintenance and Operation Costs;
- (ii) no later than the 5th Business Day preceding each Interest Payment Date and Principal Payment Date, to transfer to the Trustee for deposit in the Debt Service Fund held by the Trustee an amount sufficient to pay Debt Service on the Bonds and any Parity Bonds (in the event of a shortfall, amounts will be used to pay Debt Service on the Bonds and any Parity Bonds on a pro rata basis based on the amounts required to be deposited);
- (iii) to transfer to the Trustee for deposit in the Reserve Account held by the Trustee and to transfer as required to make a deposit into a debt service reserve fund (if any) for any Parity Bonds issued under a Parity Bonds Instrument an amount necessary to (A) bring the funds then on hand in the Reserve Account to the Reserve Requirement and (B) bring the funds then on hand in the debt service reserve fund (if any) for any Parity Bonds to its required level (in the event of a shortfall, amounts will be transferred to deposit into the Reserve Account and such other debt service reserve fund on a pro rata basis based on the amounts required to be deposited); and



- (iv) to pay for any lawful purpose of the Solid Waste Enterprise System.

### Rate Covenants

**Sum Sufficient.** The City is obligated under the Indenture to fix, prescribe, revise and cause to be collected Charges during each Fiscal Year which will yield Gross Revenues that are at least sufficient, after making allowances for contingencies and error in the estimates and not including any transfers to the Solid Waste and Materials Diversion Fund from a Rate Stabilization Fund, for the purpose of paying the following (in the following order):

- (i) all Maintenance and Operation Costs estimated by the City to become due and payable in such Fiscal Year,
- (ii) debt service on the Bonds and any Parity Bonds issued by the City,
- (iii) replenishment of the Reserve Account and debt service reserve fund for any Parity Bonds, if needed,
- (iv) any other payments required for compliance with the Indenture and any instruments under which any Parity Bonds were issued, and
- (v) all payments required to meet the City's other obligations that are charges, liens, encumbrances upon or payable from the Gross Revenues, including a reasonable profit for the Contractor, if applicable.

**Coverage from Net Revenues.** In addition, the City is obligated to fix, prescribe, revise and cause to be collected Charges during each Fiscal Year that are sufficient to yield Net Revenues at least equal to 125% of the debt service on the Bonds and any Parity Bonds in such Fiscal Year. The Indenture defines "Net Revenues" as Gross Revenues minus Maintenance and Operation Costs. However, for purposes of this covenant, the amount of Net Revenues for a Fiscal Year will be computed on the basis that (i) any transfers into the Solid Waste and Materials Diversion Fund in that Fiscal Year from the Rate Stabilization Fund are included in the calculation of aggregate Net Revenues, and (ii) any deposits into the Rate Stabilization Fund in that Fiscal Year are deducted from the amount of Net Revenues, but only to the extent such deposits are made from Gross Revenues received by the City during that Fiscal Year.

The City covenants that it will cause to be prepared annually, and filed with the Trustee, not more than 270 days after the close of each Fiscal Year, a certificate stating that the City is in compliance with the rate covenant set forth in the Indenture.

### Rate Stabilization Fund

**Rate Stabilization Fund.** The City has the right at any time to establish a rate stabilization fund (a "**Rate Stabilization Fund**") to be held by it and administered in accordance with the Indenture, for the purpose of stabilizing the Charges imposed by the City with respect to the Solid Waste Enterprise System. From time to time the City may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds.

The City may, but is not required to, withdraw from any amounts on deposit in a Rate Stabilization Fund and deposit such amounts in the Solid Waste and Materials Diversion Fund in any Fiscal Year. Amounts so transferred from the Rate Stabilization Fund to the Solid Waste

and Materials Diversion Fund will constitute Gross Revenues for such Fiscal Year (except as otherwise provided in the Indenture), and will be applied for the purposes of the Solid Waste and Materials Diversion Fund.

Amounts on deposit in a Rate Stabilization Fund will not be pledged to or otherwise secure the Bonds or any Parity Bonds.

All interest or other earnings on deposits in the Rate Stabilization Fund will be retained therein or, at the option of the City, be applied for any other lawful purposes of the Solid Waste Enterprise System. The City has the right at any time to withdraw any or all amounts on deposit in a Rate Stabilization Fund and apply such amounts for any lawful purposes of the Solid Waste Enterprise System.

The City has in the past, and currently intends to, maintain a Rate Stabilization Fund. See "THE SOLID WASTE ENTERPRISE SYSTEM – Rate Stabilization Account" herein.

### **Creation and Application of Debt Service Fund by Trustee**

The Trustee will establish and hold a Debt Service Fund under the Indenture for the Bonds. Amounts held in the Debt Service Fund shall be used to make interest and principal payments on the Bonds.

**Interest.** The Trustee will withdraw from the Debt Service Fund, prior to each Interest Payment Date, an amount equal to the Interest Requirement on the Bonds payable on that Interest Payment Date, and apply that amount to the payment of interest when due.

**Principal.** The Trustee will withdraw from the Debt Service Fund, prior to each Principal Installment Date, an amount equal to the principal amount of the outstanding Bonds that are Serial Bonds (and Parity Bonds, if any), if any, maturing on that Principal Installment Date and any Sinking Fund Installments due and payable with respect to any Term Bonds are Bonds on that Principal Installment Date, and apply that amount to the payment of the principal of those Bonds (and Parity Bonds, if any) when due.

### **Reserve Account**

**General.** The Trustee shall establish and hold a Reserve Account under the Indenture for the Bonds. Upon issuance of the Bonds, the Reserve Account will be funded with proceeds of the Bonds in an amount equal to \$\_\_\_\_\_, which equals the Reserve Requirement as of the Closing Date.

The Indenture defines the "Reserve Requirement" as the maximum amount of annual debt service coming due and payable on the Bonds in the current or any future Bond Year.

**Disbursements.** If at any time there are not sufficient amounts in the Debt Service Fund to pay Principal Installments or Redemption Price of or interest on the Bonds when due, the Trustee will provide notice of such insufficiency to the City, and apply the amounts then on hand in the Reserve Account to pay into the appropriate Fund or Account the amount of the deficiency.

Any amounts in the Reserve Account in excess of the Reserve Requirement (whether derived from interest or gain on investments or otherwise) will, as available, but not more frequently than monthly, be transferred by the Trustee to the Debt Service Fund.

If amounts on hand in the Reserve Account equal or exceed remaining Debt Service on the Bonds, the Trustee will apply the funds on hand in the Reserve Account to the payment of Debt Service on the Bonds, on behalf of the City.

**Qualified Surety Bond.** The City may satisfy the Reserve Requirement by delivering to the Trustee a Qualified Surety Bond. The Qualified Surety Bond will provide that the Trustee is entitled to draw amounts under the Qualified Surety Bond when required by the provisions of the Indenture to make transfers from the Reserve Account to the Debt Service Fund to pay debt service on the Bonds in the event of a deficiency; in any such event, the Trustee will first apply to the deficiency the amount of cash (including cash represented by investments) then on deposit in the Reserve Account.

**Cash to the City.** To the extent that the Reserve Requirement has been satisfied by delivery of a Qualified Surety Bond, any cash or Authorized Investments on deposit in the Reserve Account will be transferred by the Trustee to the City.

See APPENDIX C for additional provisions relating to the Reserve Account.

## Flow Control

**Municipal Code.** The City's Municipal Code requires all businesses and residents of the City, with certain exceptions, to dispose of their garbage, trash, rubbish and/or recyclable material with the contractor designated by the City to operate the Solid Waste Enterprise System (see "THE SOLID WASTE ENTERPRISE SYSTEM"). The Municipal Code further requires the contractor to charge the rates established by the City, and all businesses and residents to pay the rates charged by the contractor.

The Municipal Code establishes certain exceptions to the obligation to utilize the services of the Solid Waste Enterprise System, including the following:

- Businesses and residents may sell and donate recyclables.
- Businesses and residents may self-haul or contract with a third-party hauler to dispose of construction/demolition debris and wastes.
- Landscapers and gardeners may transport and dispose of lawn, tree and garden trimmings as an incidental part of their landscaping/gardening service.
- Residents and businesses that were not using the services of the Solid Waste Enterprise System as of the effective date of the ordinance (August 3, 1999) are not required to use the services of the Solid Waste Enterprise System.
- Businesses and residents that can demonstrate they do not need trash/recycling service because either (A) they do not generate sufficient refuse to require the service and the business/resident disposes of its own refuse at a permitted facility or (B) the business/resident has arranged to share service with another structure receiving service from the Solid Waste Enterprise System.

The City does not believe that a significant number of residents or businesses avail themselves of the exceptions described in the final two bullets above.

For additional details on the Solid Waste Enterprise System and the Contractor, see “THE SOLID WASTE ENTERPRISE SYSTEM.”

### **Maintenance and Operation of Solid Waste Enterprise System in Efficient and Economical Manner; Contractor**

Under the Indenture, the City covenants and agrees to maintain and operate, or cause a Contractor to maintain and operate, the Solid Waste Enterprise System in an efficient and economical manner and to operate, maintain and preserve, or cause a Contractor to maintain and operate, the Solid Waste Enterprise System in good repair and working order.

No later than one year prior to the termination date of a contract with a Contractor for which the City does not plan to exercise an option to extend the contract, the City shall either (i) initiate a process for identifying a new company that is experienced in the operations of solid waste enterprises like the Solid Waste Enterprise System or (ii) initiate a process for assuming responsibility for managing the Solid Waste Enterprise System itself.

### **Investment of Funds**

***Solid Waste Fund.*** Amounts held by the City in the Solid Waste and Materials Diversion Enterprise Fund will be invested by the City in any investments authorized by law, consistent with the City’s investment policy.

***Trustee-held Funds and Accounts.*** Moneys held by the Trustee in the Debt Service Fund (including the Reserve Account), the Improvement Fund, the Costs of Issuance Fund or any other moneys held by the Trustee under the Indenture may be invested by the Trustee solely in Authorized Investments, as directed by the City.

See APPENDIX C.

### **Parity Obligations**

***No Senior Obligations Payable from Revenues.*** The City will covenant in the Indenture that no additional bonds or other obligations will be issued or incurred having any priority in payment of principal or interest out of the Net Revenues over the Bonds.

***Test for Issuing Parity Bonds.*** In addition to the Bonds, the City may issue or incur other loans, advances or indebtedness (“**Parity Bonds**”) payable from Net Revenues, in such principal amount as shall be determined by the City. The City may issue or incur Parity Bonds upon execution of a “Parity Bonds Instrument” and upon compliance with the following conditions:

Compliance with Covenants. The City must be in compliance with all covenants set forth in the Indenture, unless any non-compliance will be cured as a result of the issuance of the Parity Bonds.

Debt Service Coverage. The Net Revenues of the Solid Waste Enterprise System (excluding any amounts derived from a Rate Stabilization Fund), calculated in accordance with sound accounting principles, as shown by the books of the City for the most recent completed Fiscal Year for which audited financial statements of the City are

available, or for any more recent consecutive 12 month period selected by the City, in either case verified by an Independent Accountant or an Independent Consultant or shown in the audited financial statements of the City, plus (at the option of the City) any Additional Revenues, must at least equal 125% of maximum scheduled Debt Service for the current or any future Bond Year (taking into account the Parity Bonds then proposed to be issued); provided, however, that in the event that all or a portion of the Parity Bonds being issued are to be issued for the purpose of refunding and retiring all or a portion of the unpaid Bonds, then the Debt Service on the Bonds to be so refunded and retired from the proceeds of such Parity Bonds being issued shall be excluded from the foregoing computation of maximum scheduled Debt Service; provided, further, however, that the City may at any time enter into or incur Parity Bonds without compliance with the foregoing condition if the aggregate annual Debt Service for all Bonds for each Bond Year during which such Parity Bonds being issued will be outstanding will not be increased by reason of the entry into or incurrence of such Parity Bonds.

Parity Bonds Instrument. The Parity Bonds Instrument providing for the issuance of the Parity Bonds must provide that:

(i) The proceeds of the Parity Bonds will be applied to the acquisition, construction, improvement, financing or refinancing of additional facilities, improvements or extensions of existing facilities within the Solid Waste Enterprise System, or otherwise for facilities, improvements or property that the City determines are of benefit to the Solid Waste Enterprise System, or for the purpose of refunding any Bonds (and Parity Bonds, if any) in whole or in part, including all costs (including costs of issuing such Parity Bonds and including capitalized interest on such Parity Bonds during any period which the City deems necessary or advisable) relating thereto;

(ii) Interest on the Parity Bond will be payable on an Interest Payment Date and principal on the Parity Bonds will be payable on a Principal Payment Date; and

(iii) Money or a Qualified Surety Bond may (but is not required to) be deposited in a reserve account for the Parity Bonds from the proceeds of the sale of the Parity Bonds or otherwise in an amount defined in the Parity Bonds Instrument.

Additional Revenues. As used in the Parity Bonds test, "Additional Revenues" means any or all of the following amounts:

(i) An allowance for Net Revenues from any additions or improvements to or extensions of the Solid Waste Enterprise System to be financed from the proceeds of the proposed series of Parity Bonds or from any other source but in any case which, during all or any part of the most recent completed Fiscal Year for which audited financial statements are available or for any other 12-month period selected by the City under the Indenture, were not in service, all in an amount equal to 80% 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 to be in operation, all as shown by the certificate or opinion of a qualified independent engineer employed by the City.

(ii) An allowance for Net Revenues arising from any increase in the Charges made for service from the Solid Waste Enterprise System which has become effective prior to the incurring of the proposed Parity Bonds but which, during all or any part of such 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 such 12-month period, all as shown by the certificate or opinion of an Independent Accountant.

### **Subordinate Bonds**

In addition to the Bonds and any Parity Bonds, the City may issue or incur other bonds, notes or other obligations secured by a lien on Net Revenues that is subordinate to the lien established under the Indenture, upon the terms and conditions and in such principal amounts as the City may determine. See “APPENDIX C -- SUMMARY OF THE INDENTURE”.

### **Insurance; Condemnation Awards**

**Insurance.** The City will agree in the Indenture to maintain such insurance on the Solid Waste Enterprise System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. If any part of the Solid Waste Enterprise System that is essential to the proper operation of the Solid Waste Enterprise System or to the maintenance of the Net Revenues is damaged or destroyed, the City will restore that part to use. The City may determine whether the Net Proceeds of insurance against accident to or destruction of the physical assets of the Solid Waste Enterprise System shall be (i) used by the City to repair or rebuild the damaged or destroyed portions of the Solid Waste Enterprise System (to the extent that such repair or rebuilding is determined by the City to be useful or of continuing value to the Solid Waste Enterprise System), (ii) transferred to the Trustee at the same time that the City delivers a Certificate of the City directing the Trustee to use the Net Proceeds for the redemption or purchase of the Bonds of each Series then outstanding in the proportion which the principal amount of the outstanding Bonds of each Series bears to the aggregate principal amount of all Bonds then outstanding or (iii) deposited in the Solid Waste and Materials Diversion Fund if the City delivers a Certificate of the City to the Trustee in which it describes the City’s determination that that it is not necessary to repair or rebuild the damaged or destroyed portions of the Solid Waste Enterprise System or redeem Bonds because the damaged or destroyed portions of the Solid Waste Enterprise System are not essential to the proper operation of the Solid Waste Enterprise System or to the maintenance of the Net Revenues. See “THE BONDS – Redemption.” The term “Net Proceeds” is defined in the Indenture as gross proceeds from the sale of property or insurance or a condemnation award remaining after payment of all expenses (including attorneys’ fees and any extraordinary expenses of the Trustee) incurred in the collection of such gross proceeds.

The City must maintain insurance in the form of policies or contracts for insurance with insurers of good standing and the insurance proceeds must be payable to the City, or may be in the form of self-insurance by the City. The City must establish such fund or funds or reserves as it determines, in its sole judgment, are necessary to provide for its share of any such self-insurance. See “THE SOLID WASTE ENTERPRISE SYSTEM – Insurance” for information about the insurance maintained by the City and the Contractor with respect to the Solid Waste Enterprise System.

Certain processing equipment at Napa MDF (e.g., sorting line and baler for recyclables) is owned and insured by the City's contracted Operator and replacement of such Operator-owned and maintained equipment is the responsibility of the Operator. See "THE SOLID WASTE ENTERPRISE SYSTEM – Insurance" herein.

**Condemnation Awards.** If all or any part of the Solid Waste Enterprise System is taken by eminent domain proceedings, the City is obligated by the Indenture to deposit the resulting Net Proceeds with the Trustee in a special fund in trust and to apply the Net Proceeds to the cost of acquiring or constructing or financing Improvements to the Solid Waste Enterprise System if the City first secures and files with the Trustee a Certificate of the City (i) showing the estimated loss in annual Net Revenues, if any, suffered, or to be suffered, by the City by reason of such eminent domain proceedings, (ii) describing the Improvements to the Solid Waste Enterprise System then proposed to be acquired or constructed by the City from such Net Proceeds, (iii) estimating the additional net Revenues to be derived from such Improvements; and (iv) stating that such additional Net Revenues will sufficiently offset the loss of Net Revenues, resulting from such eminent domain proceedings so that the ability of the City to meet its obligations under the Indenture will not be substantially impaired, which determination shall be final and conclusive.

If the foregoing conditions are met, the City must then promptly proceed with the acquisition, construction or financing of such Improvements substantially in accordance with the Certificate of the City and payments for the acquisition, construction or financing of the Improvements will be made by the Trustee from Net Proceeds and from other moneys of the City lawfully available therefor. Any balance of such Net Proceeds not required by the City for the purposes aforesaid shall be deposited in the Solid Waste and Materials Diversion Fund.

If the foregoing conditions are not met, then the Net Proceeds will be applied by the Trustee pro rata to the redemption or purchase of the Bonds and any Parity Bonds then outstanding in the proportion which the principal amount of the outstanding Bonds of each Series bears to the aggregate principal amount of all Bonds then outstanding. If the Trustee is unable to purchase or redeem Bonds in amounts sufficient to exhaust the available moneys allocable to each such Series, the remainder of such moneys for each such Series shall be held in trust by the Trustee and applied to the payment of such Bonds as the same become due by their terms, and, pending such application, any remaining moneys may be invested by the Trustee in the manner specified in writing by the City.

**BOND INSURANCE**

*The following information has been furnished by the Bond Insurer for use in this Official Statement. This information has not been independently confirmed or verified by the City. No representation is made herein by the City as to the accuracy or adequacy of such information subsequent to the date hereof, or that the information contained and incorporated herein by reference is correct. Reference is made to Appendix G for a specimen of the Bond Insurance Policy.*



## THE SOLID WASTE ENTERPRISE SYSTEM

### General

The City has been responsible for the collection and disposal of solid waste in the City of Napa for over 100 years. Currently, the City's activities related to the Solid Waste Enterprise System consist of the following:

- Collecting through a private contractor solid waste, green waste and food scraps (known as "compostables"), recyclable materials, and construction and demolition debris in the City;
- Operating the City-owned Napa Materials Diversion Facility (referred to herein as the "**Napa MDF**"); and
- Transporting through a private contractor recyclables and compostables to the Napa MDF, and solid waste to a Transfer Facility owned and operated by the Napa-Vallejo Waste Management Authority (the "**Authority**"), which is a joint powers authority formed by the City, the County of Napa, the City of Vallejo and the City of American Canyon. See " –The Authority and the Authority Agreement" below.

The City's municipal code obligates residents and businesses in the City, with limited exceptions, to utilize the services of the Solid Waste Enterprise System and to pay the fees established by the City and billed and collected by the operator of the Solid Waste Enterprise System. Customer payments made electronically and via mail (currently 97% of Revenues) are deposited directly into the City's lockbox or bank account. Cash payments received at the operator's offices at the Napa MDF are remitted to the City's account. See "SECURITY FOR THE BONDS – Flow Control".

Certain neighboring entities, including the County of Napa, the City of Sonoma and the Town of Paradise, bring recyclables and compostables to the Napa MDF for processing pursuant to various agreements further described below.

A diagram depicting the operation of the Solid Waste Enterprise System is set forth on the following page.

**FLOW DIAGRAM OF SOLID WASTE ENTERPRISE SYSTEM**

## **The Operator and its Contract with the City; Collection of Municipal Solid Waste (MSW), Recyclable Materials and Compostables**

**The Operator.** The City current contracts with Napa Recycling & Waste Services, LLC (the “**Operator**”) to assist with the operation of the Solid Waste Enterprise System, pursuant to an agreement described in the following paragraphs. Operator is a California limited liability company. Further information about Napa Recycling & Waste Services, LLC can be found on the Internet at [www.naparecycling.com](http://www.naparecycling.com). However, no information from such website is incorporated by reference into this Official Statement.

**The Collection Contract.** The City and Operator entered into a contract for Collection and Transportation of Municipal Solid Waste, Recyclable Materials, and Yardwaste and Operation of the Napa MDF on December 7, 2004, with service by the Operator beginning in October 2005. This Contract, as amended to date, is referred to herein as the “**Collection Contract**.” In general, the Collection Contract provides for the following operational details of the Solid Waste Enterprise System:

*Operator Responsibilities.* Operator is responsible for the following:

- Maintaining an office at the Napa MDF, a customer payment location within the City limits and a customer service telephone line for receiving special requests for service, complaints and otherwise interacting with City residents and businesses.
- Providing the equipment and labor required to carry out the Collection Contract, including containers for City residents’ and businesses’ solid waste, green waste, food scraps and recyclables, trucks, etc. Costs are paid monthly to the Operator by the City based upon an annual lump sum cost for operation of the Solid Waste Enterprise System as annually adjusted by contract (i.e., contractual inflation indices, projections growth impacts, changes in law and new or City-adjusted programs). This cost is included in the rates charged to users of the Solid Waste Enterprise System.
- Maintaining workers’ compensation insurance and public liability insurance in form and amount required by the Collection Contract (see “–Operator Insurance” below).
- Delivering non-recyclable and uncompostable materials to the Transfer Facility, which is operated by the Authority.
- Processing recyclables and compostables at the Napa MDF. Operator is not permitted to dispose of recyclables in a landfill, and may not operate a competing drop off or buy-back recycling facility within the City without advance written City permission. Operator must sell recyclables and processed compostables (i.e. compost) at fair market value on behalf of itself and the City. Materials sales revenues are divided 70% City/30% Operator under the Collection Contract.
- Ensuring that solid waste delivered by Operator to the Transfer Facility does not include hazardous waste; the costs of the load checking/inspection program required to separate hazardous waste are included as part of the annual lump sum costs of Operator (see “–Disposal of Solid Waste and Hazardous Waste” below).

- Billing and collecting from customers of the Solid Waste Enterprise System.

*City Responsibilities.* The City operates the scalehouse at the MDF with City employees. Operator provides staffing during employee breaks, sick leave and vacations. The City is responsible for establishing solid waste and recycling collection rates that the Operator may charge for collection services within the City limits, and for establishing gate fees charged at the Napa MDF. All collection service revenue, materials sales revenue and gate fee revenue is retained by the City and deposited in the City's Solid Waste and Materials Diversion Enterprise Fund.

*Rates.* City receives all solid waste and recycling service revenue and then pays Operator for collection and processing services as described in the Collection Contract. City must adhere to Proposition 218 requirements that service rates charged may not exceed the actual cost of providing the service.

Solid waste rates include funding for mitigation of impacts of heavy refuse and recycling collection vehicles on City streets. This mitigation cost is paid annually via a transfer from the City's Solid Waste Enterprise Fund to the City's Street Resurfacing Fund. These costs are considered capital expenses and are not included in Maintenance and Operation Costs under the Indenture, and accordingly are payable after debt service.

Current rates also include an annual transfer from the City's Enterprise Fund to the City's General Fund to reimburse General Fund costs for senior management personnel, City Attorney services, IT services and other administrative costs including office space, based on the results of the latest Citywide Cost Allocation Study. These costs are treated as Maintenance and Operation Costs under the Indenture, payable prior to debt service.

See "SECURITY FOR THE BONDS – Gross Revenues, Net Revenues and Maintenance and Operation Costs" above for the definition of "Maintenance and Operation Costs."

*Status of Collection Contract.* The Collection Contract between City and Operator expires December 31, 2016 pursuant to a one-year extension option exercised by the City in 2015. City has the unilateral option to extend the contract on a calendar year-by-calendar year basis, up to three additional calendar years (through December 31, 2019). The parties are presently in negotiations to discuss a longer-term extension of the contract (anticipated at 14-years) beyond the current term.

To the extent that the Collection Contract with Operator is not extended, the City would anticipate entering into a new collection contract with another operator on terms similar to the terms of the Collection Contract, or the City could hire additional personnel to operate the Solid Waste Enterprise System independently. See "SECURITY FOR THE BONDS – Maintenance and Operation of Solid Waste Enterprise System in Efficient and Economical Manner; Contractor."

**MDF Gate Fees.** Napa MDF charges gate fees to members of the public and certain solid waste collection companies in the region for delivering compostables, source separated

construction and demolition debris (e.g. concrete and asphalt) and recyclable materials to the Napa MDF. These fees, which are set by the City, are remitted to the City weekly and deposited into the Solid Waste Enterprise Fund. As discussed in additional detail below, gate fees fluctuate from year to year depending upon regional demand, construction activity, the local economy and prices at other facilities.

Napa MDF gate fees for Fiscal Year 2015-16 are projected to be \$1.7 million. These gate fees fluctuate from year to year depending upon regional demand, construction activity, the local economy and prices at other facilities.

### **The Authority and the Authority Agreement**

***The Authority.*** The City is a member of the Napa-Vallejo Waste Management Authority (formerly known as the South Napa Waste Management Authority and referred to herein as the Authority). The Authority is governed by a Joint Exercise of Powers Agreement, as most recently amended on May 5, 1998 (the “**Authority Agreement**”). The parties to the Authority Agreement, and the members of the Authority, are the City, the City of Vallejo, the City of American Canyon, and the County of Napa.

The Authority was formed to coordinate “Solid Waste” disposal and household hazardous waste management services within the applicable “Service Area”, which includes areas within the City, the City of Vallejo, and the City of American Canyon, certain areas within the County of Napa, and certain areas within Solano County. “Solid Waste”, as defined in the Authority Agreement, does not include recyclables, compostables and hazardous wastes.

The Authority has no debt, although it is responsible for ongoing post-closure maintenance of the American Canyon Landfill which has been closed. See “– American Canyon Sanitary Landfill” below.

***The Authority Agreement.*** The Authority Agreement identifies the following specific purposes for the Authority:

- Provide a transfer or processing facility (as defined by State law) for the receiving, processing, recycling and transportation of solid waste (the “**Transfer Facility**”).
- Provide safe closure and post-closure of the American Canyon Sanitary Landfill, pursuant to the State-approved post-closure maintenance plan.
- Provide a hazardous waste collection facility (which is located in a separate part of the Transfer Facility) to provide for the safe reuse, recycling or disposal of household and small business hazardous waste generated within the Service Area.

Pursuant to the Authority Agreement, each member of the Authority (including the City) must direct its contracted hauler(s) to deliver all non-recyclable and uncompostable Solid Waste collected under the contract to the Transfer Facility. Operator has agreed to dispose of all unsorted, mixed Municipal Solid Waste at the Transfer Facility pursuant to the Collection Contract described above. The Authority is prohibited from providing any recycling services that duplicate or compete with recycling services provided by any of its members, without the consent of the member.

## Solid Waste Disposal at the Transfer Facility

**The Transfer Facility.** The Transfer Facility is owned by the Authority and currently operated under contract by Northern Recycling Operations & Waste Services, LLC (“Northern”). The Transfer Facility was constructed in 1994 and is built on a 35-acre site located at 889 Devlin Road, Napa, California. The Transfer Facility accepts residential and commercial solid waste as well as non-hazardous construction and demolition waste, and consists of a 37,800 square foot facility, of which approximately 10,500 square feet are allocated for public self-haul use and approximately 21,000 square feet are allocated for commercial use. The Transfer Facility site is located on a separately owned parcel approximately one-half mile from the Napa MDF.

After solid waste has been processed at the Transfer Facility, it is hauled by Northern to Potrero Hills Landfill for final disposal.

The costs of operating the Transfer Facility and transporting materials to the Potrero Hills Landfill are covered entirely by tipping fees set by the Authority and collected from customers (see “–Tipping Fees” below).

**The Potrero Hills Landfill.** The Potrero Hills Landfill is located in Solano County near the City of Suisun City, California. It is owned and operated by Potrero Hills Landfill, Inc., a wholly-owned subsidiary of Waste Connections, Inc. It is a Class III Landfill and has a permitted waste acceptance volume of 3,400 tons per day on average (with a peak of 4,330 tons per day) and a projected remaining life of 32 years based on the permitted capacity. The actual number of remaining years will likely be greater due to receipt of waste quantities less than the daily permitted capacity.

The Authority has a contract to dispose of municipal solid waste and alternate daily cover materials through December 31, 2023, with three additional 5-year renewal options at the discretion of the Authority.

**American Canyon Sanitary Landfill.** The Authority owns and is responsible for post-closure and monitoring of the American Canyon Sanitary Landfill. This landfill has been closed and not accepted Solid Waste for approximately 19 years. According to its audited financial statements, the Authority anticipates the American Canyon Sanitary Landfill will continue to incur post-closure expenses and long-term monitoring expenses over the next approximately 21 years at an estimated total cost of approximately \$12.7 million. This amount is reported as a landfill post-closure care liability of the Authority at June 30, 2015. The City has no ongoing financial interest in the Authority, and closure and related costs will be paid through tipping fees assessed by the Authority at the Transfer Facility as described below.

The closure, post-closure and monitoring expenses related to the American Canyon Sanitary Landfill have been built into the tipping fees charged by the Authority (see “–Tipping Fees” below). Through the tipping fees, each member of the Authority bears a variable annual share of the Authority’s costs based upon the amount of Solid Waste delivered to the Transfer Facility during that year. In addition, the Authority is required by State and federal laws and regulations to make annual contributions to a trust to finance closure and post-closure expenses. The Authority expects future post-closure costs to be paid from funds on hand and interest earnings on annual contributions to the trust; if interest earnings are inadequate or post-closure is more expensive than currently anticipated, the Authority may need to increase tipping fees to users, including the City.

***Tipping Fees.*** As of July 1, 2016, the tipping fee charged by the Authority was \$65 per ton for member jurisdictions and \$70 per ton for public self-haul users. The Authority maintains a rate stabilization fund to address annual fluctuations in revenues and expenses without raising and lowering tipping fees.

***Disposal of Hazardous Waste.*** Residents and businesses in the City are asked not to place hazardous waste in their solid waste carts and bins. Rather, hazardous waste generated in the City (including pesticides, cleaners, syringes, auto products, household batteries, solvents, paints, herbicides, latex paint, etc.) may be disposed of at the Transfer Facility, and some limited recyclable hazardous or restricted wastes (including electronics, tires, used motor oil and used oil filters) are collected by the Operator and recycled at the Napa MDF. The Authority does not charge a fee to residents for household hazardous waste disposed at the Transfer Facility, but does charge a fee to businesses.

### **Coombsville Dump/Hidden Glen Landfill and Related Litigation**

The City owns the property on which the former “Coombsville Dump” (aka Hidden Glen landfill) is located. That landfill property is the subject of a closure plan, approved by the then California Integrated Waste Management Board (now California Department of Resources, Recycling and Recovery or “CalRecycle”). The closure plan includes provisions for landscape improvements over the cap on the property as a part of the closure, along with ongoing maintenance of the property, all of which are designed to ensure the physical integrity of the cap over the former landfill. In the rate revenue collected between Rate Year 2009-10 and Rate Year 2010-11, the City collected \$310,000 to cover the estimated costs of the capital improvements at the former landfill site. Those improvements have not yet been completed by the City, as the City is in the process of revising the design of the access driveway to the former landfill site, as a result of recently approved residential development projects on neighboring properties to the south of the former landfill site. The City will only spend the revenue previously collected for improvements to the former landfill site that are consistent with the closure plan; and, to the extent that the City does not spend the previously collected revenue, the balance will be returned to the Solid Waste and Materials Diversion Enterprise Fund to offset future charges to ratepayers. In addition to the capital costs, the City included a projected annual maintenance charge of \$30,640 in its Fiscal Year 2015-16 budget (this projected maintenance cost is escalated by inflation each year to be utilized for maintenance costs once the Hidden Glenn passive park is constructed; until that time only local enforcement agency monitoring fees are being charged to this City expenditure account).

In connection with the Hidden Glen landfill, a lawsuit was filed in January 2010 by neighboring property owners, arguing that the City had not satisfied its obligation to construct a park at the former landfill site. The City obtained a favorable judgment at the trial court level in August 2014, including an award of attorney’s fees against the plaintiffs in the amount of \$869,000. The trial court judgment is currently on appeal, with a result anticipated by early 2017. To date, the costs of litigation have been primarily funded by the City’s Risk Management Fund. The City is maintaining supplemental Solid Waste Enterprise Fund Reserves in the event the litigation is resolved unfavorably to the City. See “– City Fiscal Policy for Solid Waste Enterprise Fund Reserves – Liability Reserve” herein.

## Processing and Sale of Recyclables and Compostables at the Napa MDF

***Processing of Recyclables and Compostables.*** Per terms of the Contract, all of the recyclables and compostables collected in the City by Operator are processed at the Napa MDF.

***Recycling and Compostables Programs.*** The City has implemented programs to decrease the volume of solid waste sent to the Transfer Facility (in compliance with AB 939 as amended; see “SOLID WASTE REGULATIONS”) and to increase the volume of recyclables and compostables processed at the Napa MDF. A few examples of these programs follows:

*Residential Curbside Recycling.* Operator collects Single-Stream Recyclable Materials including newspaper, glass, cans, plastic bottles, mixed paper (junk mail) and cardboard from all residences in the City.

*Commercial Recycling.* Operator collects Single-Stream Recyclable Materials including newspaper, glass, cans, plastic bottles, mixed paper (junk mail) and cardboard from large and small businesses in the City.

*Yard Waste Collection Program.* Operator collects yard waste, yard clippings and tree trimmings from all residences and some businesses in the City. Since April of 2015, food scraps and soiled paper are co-collected with residential yard trimmings as “compostables” and processed at the Napa MDF.

*Commercial Food Scrap Composting Program.* Operator collects source-separated food scraps and soiled paper plus other compostable materials, such as yard trimmings, from several food-generating businesses within the City. All collected compostables collected by Operator are delivered and composted at the Napa MDF. This program stemmed from AB 1826, which was signed into law in 2014, and generally requires businesses and multi-family complexes to participate in a compostables collection program covering food scraps, green waste and wood; the deadlines for participation vary and, for business, depend on the amount of compostables generated. The City was required to provide a program for collection and processing of compostables by April 1, 2016. Businesses and multi-family complexes may participate in the City’s program or may donate or sell their compostable materials to a third party. As of May 2016, there are approximately 71 participants in the City’s Commercial Food Composting Program requiring approximately 133 collection stops per week. Collection rates include funding for up to 500 collection stops per week, at full program rollout. Full rollout of the program is expected by approximately, January 1, 2019, as required by AB 1826; with the possible addition of smaller businesses by January 1, 2020 if directed by CalRecycle. For additional details, see “SOLID WASTE REGULATIONS” herein.

*Construction/Demolition Debris Diversion Program.* Operator collects source-separated construction debris, including wood, metal, sheetrock, wall board and other items from construction sites and processes the material at the Napa MDF. Loads of concrete and asphalt are also collected, or delivered to the Napa MDF by contractors. The material is stockpiled on the Property then crushed for a variety of applications, including as baserock, roadbeds, or paving.

*Electronic Waste.* The City offers an annual electronic waste collection day each June. All residents may drop off computers, monitors, television sets, stereos and similar



equipment at no charge. During the remainder of the year, electronic waste can be disposed of at the Napa MDF at no charge. Since April 2013, the City and its Operator have offered a “Recycle More” program for City customers where positive-value materials such as electronic waste, metal and textiles are collected curbside at no-charge and recycled at the Napa MDF.

***Sale of Recyclable Materials.*** Operator sells, on behalf of the City, recyclable materials processed at the Napa MDF. These processed materials consist of compost, crushed asphalt and concrete, various grades of plastic, various grades and colors of paper, metals, chip board, and various grades and colors of glass. The revenue realized from the sale of recycled material is shared between the City and its Operator under the Collection Contract (currently, 70% is retained by the City and 30% is paid to the Operator). As discussed in additional detail herein, there is significant variability from year to year in the volume of recycled material and the market price for recycled material since much of the material is sold from the Napa MDF into the global markets. Accordingly, the City’s projected revenues from materials sales is highly uncertain.

It is estimated that gross materials sales were approximately \$5.2 million for Fiscal Year 2015-16, which is 9% below the Fiscal Year 2014-15 receipts of \$5.7 million.

For Fiscal Year 2015-16, approximately \$2 million of the gross revenue was received pursuant to the City’s processing agreement with Northern, which is an affiliate of Operator, from materials delivered to the Napa MDF from the Transfer Facility. See “– Solid Waste Disposal at the Transfer Facility” above.

Northern Recycling is under contract with the Authority to operate the Transfer Facility and its buy-back center. Each year, the City retains an average of 2-3% of this gross revenue, Operator receives 30%, and the remainder is paid out to Northern Recycling.

### **City Management of Solid Waste Enterprise System**

Brief biographies of key members of City staff involved in management of the Solid Waste Enterprise System and its finances are set forth below:

***Kevin Miller – Materials Diversion Administrator (Recycling Manager).*** Kevin Miller has been with the City of Napa since February 1997, first as the City’s Waste Reduction/Recycling Coordinator and then since August of 2005 as the City’s Materials Diversion Administrator (Recycling Manager). As head of the City’s Materials Diversion and Recycling Division, Mr. Miller is responsible for overseeing the Solid Waste and Materials Diversion Enterprise Fund including budgeting, rate-setting and operation of the Napa MDF. Mr. Miller administers key contracts for the City including the Collection Contract with Operator, and the disposal agreement with the Authority. Besides fund management, Mr. Miller’s division carries out overall source reduction and recycling program development and implementation. The City has primary responsibility for scalehouse operations at the Napa MDF and also sets MDF gate fees and receives revenue from MDF gate fees for recyclable and compostable materials delivered to and processed at the MDF Facility.

Mr. Miller has served as a board member of the Northern California Recycling Association and completed the Leadership Napa Valley program in 2003. He is also a long-time member of the California Resource Recovery Association as well as the National Recycling

Coalition. In 2011, Mr. Miller was awarded Associate of the Year by the California Product Stewardship Council.

Mr. Miller's background encompasses nearly 27 years in the environmental field with 25 of these specifically as a recycling professional. Over the past 25 years, Mr. Miller served one year as the Assistant Director for Californians Against Waste's Buy-Recycled Campaign, four years as Recycling Coordinator for the City of Folsom, one year as Operations Manager for Weyerhaeuser Recycling in Sacramento, and over 19 years with the City of Napa.

Mr. Miller holds a B.A degree with high honors in Environmental Studies from the University of California, Santa Barbara. His senior thesis was entitled, "The High Grade Recycling Paper Market in California and Public Policy". He received a four-year UC Regents Academic Scholarship while at UCSB.

**Jacques R. LaRochelle – Public Works Director.** Jacques LaRochelle has been the City's Public Works Director since 2008. The Public Works Department is responsible for the design, construction, and maintenance of most of the City's infrastructure. This includes the Solid Waste Enterprise System, as well as streets, bridges, storm drains, traffic signals, street lights, radio communications, engineering services, and fleet management. Prior to joining the City, Mr. LaRochelle was the Assistant Public Works Director for the City of Bakersfield, California from 1989 to 2008, serving as the Assistant Public Works Director for 7 of these 19 years. He served as the City Surveyor for the City of Bakersfield, was a member of the Board of Zoning Adjustment and a member of the Kern County Transportation Association. Prior to joining the City of Bakersfield, he worked in the private sector mainly on development projects specializing in master storm drain and sewer plans for large scale developments. Mr. LaRochelle is a graduate of CalPoly, San Luis Obispo, where he obtained his Bachelor of Science Degree in Civil Engineering. Mr. LaRochelle is a Registered Professional Civil Engineer, Licensed Surveyor and is a member of the American Public Works Association.

**Philip Brun – Deputy Public Works Director (Operations).** Phil Brun has been the City's Deputy Public Works Director - Operations for the last 6 years. The Operations section is responsible for Solid Waste/Material Diversion, Water, Fleet and Street Maintenance. Prior to this appointment, he was the City's Water General Manager for 8 years, and Associate Engineer for 4 years. Prior to joining the City, Mr. Brun was an Assistant Civil Engineer for the City of Los Angeles for 3 years working on wastewater facilities. Mr. Brun has a Bachelor of Science Degree in Civil Engineering from Cal Poly, San Luis Obispo and is a Registered Professional Civil Engineer. Mr. Brun was a National Association Director of the American Water Works Association (AWWA) and previously served as the Chair of the California-Nevada Section. Mr. Brun is actively involved in the Napa community and was on the Board of Directors for the Leadership Napa Valley Foundation, serving as President in 2012/2013.

**Roberta Raper – Finance Director.** Roberta Raper has been with the City's Finance Department for nearly 7 years. Beginning her tenure as Finance Analyst in 2008, Ms. Raper promoted to Finance Manager in 2010. After leaving for a short stint at another local government agency, she returned in the Finance Director position in September, 2013. The Finance Department is responsible for accounting and auditing functions, revenue collections, purchasing and Information Technology. Ms. Raper's experiences outside the City of Napa include serving as the Finance/Administrative Services Director for the City of Grass Valley, California and as Finance Analyst for Placer County Water Agency in Auburn, California. Ms. Raper graduated with honors from the University of California, Davis where she received her Bachelor's Degree in Managerial Economics. She received her Master's Degree in Business

Administration from California State University, Sacramento. Ms. Raper is a member of the California Society of Municipal Finance Officers' Association and the Governmental Finance Officers' Association.

***Deanna Andrews – Finance Manager.*** Deanna Andrews has been with the City's Finance Department since 2010. Beginning her tenure as Finance Analyst, Ms. Andrews was promoted to Finance Manager in 2013. Ms. Andrews' experiences outside the City of Napa include serving as the Principal Finance Analyst for the City of Oakland, California and as Rate & Budget Analyst for Contra Costa Water District in Concord, California. Ms. Andrews received her Bachelor's Degree in Political Science (Public Administration) from California Polytechnic State University in San Luis Obispo. She received her Master's Degree in Public Administration from California State University, Hayward. Ms. Andrews is a member of the Governmental Finance Officers' Association.

## **Insurance**

Both the City and Operator maintain insurance with regard to certain components of the Solid Waste Enterprise System.

### ***City Insurance.***

The City currently maintains the following insurance with regard to the Napa MDF:

The City participates in a statewide municipal property insurance pool through the California State Association of Cities (CSAC). For the Napa MDF this coverage is applicable for the two major fixed structures at the facility, namely the 32,000 square foot Materials Recovery Facility/Mechanic Shop and the 6,000 square foot administrative office building. The insurance covers full replacement costs based on a 2015 appraisal and includes \$3.6 million for business interruption coverage for damage to the larger structure. Additionally, the Solid Waste Enterprise Fund's Operating Reserve maintains funding adequate to cover operations for up to 18 months in case of destruction of structures through fire or earthquake events. Processing equipment at the Napa MDF (e.g., sorting line and baler) is the property of the Operator, and Operator is required to provide adequate property and accident insurance pursuant to the Collection Contract. See "–Operator Insurance" below.

The City will covenant in the Indenture to maintain such insurance on the Napa MDF as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. See "SECURITY FOR THE BONDS – Insurance; Condemnation Awards".

### ***Operator Insurance.***

As required by the Collection Contract, Operator currently maintains the following insurance policies with respect to specified components of the Solid Waste Enterprise System.

- *Comprehensive general liability and automobile liability insurance.* The insurance must have a combined single limit of not less than \$5 million per occurrence and \$5 million annual aggregate for (i) premises operations (including use of owned and non-owned equipment), (ii) products and completed operations (including liability resulting from use of recyclable materials by another person), (iii) Personal Injury Liability with employment exclusion deleted; (iv) Broad Form Blanket Contractual

with no exclusions for bodily injury, personal injury or property damage (including coverage for indemnity obligations in the Collection Contract). The policy must be written on an "occurrence" basis or Operator must provide tail coverage for claims filed within 4 years of termination of the Collection Contract.

- *Pollution liability insurance.* The insurance must be for not less than \$1 million per occurrence and annual aggregate, and cover claims for on-site, under-site or off-site bodily injury and property damage as a result of pollution conditions arising out of Operator's operations under the Collection Contract.
- *Hazardous materials storage and transport insurance.* The insurance must be for not less than \$1million for personal injury, bodily injury and property damage arising out of sudden and accidental release of any hazardous materials or wastes during storage at the Napa MDF or transport of such materials by vehicles owned, operated or controlled by Operator in performance of services required by the Collection Contract.
- *Comprehensive physical damage insurance.* This insurance covers fire, theft and collision, and must have a deductible or self-insured retention of not more than \$100,000 covering the vehicles and equipment used in providing service to City under the Collection Contract.
- *Physical damage insurance.* This insurance covers fire, theft, deterioration, contamination and other damage for recyclable materials stored at the Napa MDF and during shipment of said materials prior to transfer of title from Operator to another entity.
- *Worker's compensation insurance.* The insurance must cover Operator's employees in statutory amounts and otherwise in compliance with the laws of the State.
- *Employer's liability insurance.* The insurance must be in an amount not less than \$1 million per accident or disease.

The City will covenant in the Indenture to continue to require the operator of the Solid Waste Enterprise System to maintain the above-listed insurance until legal defeasance, prior redemption or payment in full of all the Bonds. See "SECURITY FOR THE BONDS – Insurance; Condemnation Awards".

## Historical Volume of Solid Waste

The table below sets forth solid waste tonnage collected by Operator for the last five full calendar years.

**Table 1**  
**CITY OF NAPA**  
**SOLID WASTE ENTERPRISE SYSTEM**  
**Annual Collection Amounts (in tons)**  
**Calendar Years 2011 through 2015**

Calendar Year <sup>(1)</sup>	Refuse <sup>(1)</sup>	Recyclable Materials <sup>(2)</sup>	Food Scraps & Green Waste	Total <sup>(3)</sup>
2015	47,203	22,613	17,731	87,547
2014	44,496	19,947	16,842	81,285
2013	43,930	17,982	15,923	77,835
2012	42,155	17,675	15,005	74,835
2011	43,018	15,330	14,014	72,362

(1) Year for Recyclable Materials and Green Waste information is the 12-month period based on calendar year (January 1 through December 31).

(2) Recyclable Materials are all non-compostable materials processed at the Napa MDF, including paper, plastics, cardboard, glass, metals, concrete, asphalt and other construction/demolition debris.

(3) Total tons may not match the total number of tons calculated by CalRecycle (see "SOLID WASTE REGULATIONS") as generated in the City and diverted from the City's waste stream because there are tons diverted by programs that are not reported into the Solid Waste Enterprise System, including (a) beverage container recycling, newspaper and cardboard recycled at the Jackson Street Drop Off Center, (b) supermarket and large retailers recycling their own cardboard and backhauling it to their distribution centers and (c) wet produce trimmings backhauled by supermarkets to their distribution centers for composting.

Source: City and Operator.

## Rate Setting; Rate Structure

**Rate Setting.** The City generally has a "Rate Year" of January 1 through December 31 (calendar year), although this is adjusted from time to time depending on the timing of the City's most recent Rate Study and the need to comply with Proposition 218's public notice and disclosure process. See "RISK FACTORS – Rate Covenant Not a Guarantee; Sufficiency of Revenues" and "RISK FACTORS – Proposition 218."

For each Rate Year, the City conducts a Rate Study to determine all projected revenues and costs of the Solid Waste Enterprise System and to establish rates sufficient to pay all reasonable costs of operating the Solid Waste Enterprise System (including improvements, if any, to the Solid Waste Enterprise System and related debt service) and pay the Operator according to the terms of the Collection Contract. Rates may be established for a period of 1-5 years as a result of a single Rate Study, with specified rate increases applied for each year included in the rate setting.

**Revenues.** Revenues considered as part of the rate-setting process include:

- Charges billed to residential, commercial and drop-box collection customers.
- Revenue from sale of recyclable materials (for use by secondary buyers).
- Revenue from on-site direct sale of compost, topsoil and gravel from the Napa MDF.

- Gate fees charged to self-haul or jurisdictional users of the Napa MDF.

*Expenses.* Expenses considered as part of the rate-setting process include:

- Operating costs for Operator as specified in the Collection Contract.
- Capital costs (including depreciation) of Operator as specified in the Collection Contract
- Operator's compensation, as specified in the Collection Contract (e.g. share of material sales, over baseline processing payments, diversion incentives, etc.).
- Tipping fees payable to the Authority by City.
- City costs for personnel, administration, professional fees, and code enforcement.
- Street Resurfacing Mitigation costs paid to the Street Resurfacing Fund.
- Funding reserves as required by the Fiscal Policy adopted by the City Council for the Solid Waste and Materials Diversion (Recycling) Enterprise Fund.

**Current Rates.** The following table summarizes the current rate structure for the Solid Waste Enterprise System for representative user types.

**Table 2**  
**CITY OF NAPA**  
**SOLID WASTE ENTERPRISE SYSTEM**  
**Summary of Rate Structure for Representative User Types**  
**Rate Year 2016 (Effective Jan. 1, 2016)<sup>(1)</sup>**

<u>Representative Residential Rates<sup>(2)</sup></u>	<u>Rate per month</u>
Residential (20 gal. cart size)	\$21.65
Residential (35 gal. cart size)	27.14
Residential (65 gal. cart size)	41.63
Residential (95 gal. cart size)	64.03
<u>Representative Commercial Rates<sup>(3)</sup></u>	
One 1.5-yard bin 1x/week	\$329.31
One 2-yard bin 1x/week	423.35
One 3-yard bin 1x/week	620.78
One 4-yard bin 1x/week	805.98
One 6-yard bin 1x/week	1,199.59
<u>Representative Multi-Family Rates<sup>(3)</sup></u>	
One 1.5-yard bin 1x/week	\$282.18
One 2-yard bin 1x/week	376.26
One 3-yard bin 1x/week	555.55
One 4-yard bin 1x/week	740.74
One 6-yard bin 1x/week	1,110.10

(1) The City's current rate structure includes full cost recovery for impacts of heavy refuse and recycling vehicles on City streets. This street impact mitigation fee constitutes approximately 10.7% of adopted collection service rates for rate year 2016.

(2) Residential rates include weekly collection of municipal solid waste (MSW), green waste/food scraps and single stream recyclable materials.

(3) Commercial and multi-family rates shown above are for weekly collection of MSW only.

Source: City of Napa.

**Historical Rate Increases.** The following table sets forth a ten-year history of rate increases.

**Table 3**  
**CITY OF NAPA**  
**SOLID WASTE ENTERPRISE SYSTEM**  
**Historic Refuse Collection Rate Increases for all Customer Classes**  
**Rate Years 2007 through 2016**

Rate Year	% Increase
2016	4.95%
2015	4.95
2014	0.00
2013	0.00
2012	0.00
2011	4.85
2010	4.90
2009	4.95
2008	3.45
2007	5.65

Source: City of Napa.

**Comparative Monthly Solid Waste Collection Charges.** The following tables compare the City's representative residential and commercial solid waste collection charges to neighboring cities and agencies, all of which are located in Napa County or dispose of their solid waste at the Transfer Facility just like the City. See "RISK FACTORS –Competition" herein.

**Table 4**  
**CITY OF NAPA**  
**SOLID WASTE ENTERPRISE SYSTEM**  
**Comparative Residential Rates – 65 Gallon Containers**  
**Rate Year 2016**

City/Agency	Monthly Rate
City of American Canyon <sup>(1)</sup>	\$32.33
City of Calistoga	51.78
County of Napa (Zone 1)	27.34
<b>City of Napa<sup>(2)</sup></b>	<b>41.63</b>
City of St. Helena	50.02
City of Vallejo <sup>(3)</sup>	48.74
Town of Yountville	51.74

(1) Rate is for a 64 gallon container.

(2) City of Napa rate includes collection of food scraps mixed with green waste. The rate also includes full cost recovery for impacts of heavy refuse and recycling vehicles on City streets. This street impact mitigation fee constitutes approximately 10.7% of adopted collection service rates for rate year 2016.

(3) Rate is for a 64 gallon container.

Source: City of Napa.

**Table 5**  
**CITY OF NAPA**  
**SOLID WASTE ENTERPRISE SYSTEM**  
**Comparative Commercial Rates – 2 Cubic Yard MSW Bin**  
**Rate Year 2016**  
**(as of July 2016)**

City/Agency	Monthly Rate <sup>(1)</sup>
City of American Canyon	\$352.03
City of Calistoga	336.90
County of Napa (Zone 1)	400.44
<b>City of Napa<sup>(2)</sup></b>	<b>423.35</b>
City of St. Helena	278.98
City of Vallejo	336.14
Town of Yountville	334.20

(1) Assumes one pickup per week.

(2) City of Napa rate includes full cost recovery for impacts of heavy refuse and recycling vehicles on City streets. This street impact mitigation fee constitutes approximately 10.7% of adopted collection service rates for rate year 2016.

Source: City of Napa.

### **Billing and Collection Procedures**

In general, the City requires Operator to bill and collect from customers. Customer payments made by mail or electronic payment (typically 97%) are deposited directly to a City bank account and are not commingled with Operator funds. In accordance with the Collection Contract, customer payments for collection services made in person at Operator's offices at the Napa MDF and MDF gate fee revenues (which, combined, are typically around 3% of total revenues) are deposited weekly by the Operator in a City bank account. The City anticipates maintaining the same requirement in the future.

**Billing Procedure.** Customers are billed by Operator on a monthly basis.

**Collection of Solid Waste Charges.** The City and Operator have established a collections procedure to be utilized by Operator. The first collection efforts are handled in-house by Operator. If internal efforts fail, Operator refers the outstanding bill to a collection agency. Collection agencies charge 22% of the amount collected. If payment of charges is more than 90-days past-due, the City reserves the right to remove collection bins from the customer's property and cease service. Past-due receivable balances are written off by the City when collection efforts have been unsuccessful and the outstanding balance has been deemed uncollectable by both the Materials Diversion Administrator and the Finance Director. As of June 30, 2016, the amount of bad debt held in the Solid Waste and Materials Diversion (Recycling) Enterprise Fund was estimated to be less than 1%.

**Delinquency History.** The City has estimated and set forth below a 4-year delinquency history with respect to rates billed and collected by Operator based upon (i) the "allowance for doubtful accounts" of the Solid Waste Enterprise System and (ii) the "total collection fees" on the revenue and expense statement in the audited financial statements. Due to the collection efforts by both the City and the Operator, the annual delinquency amounts have been reduced from 0.55% to 0.42% over the last four years. Delinquency rates in the future are expected to remain low (less than 0.5%).



**Table 6**  
**CITY OF NAPA**  
**SOLID WASTE ENTERPRISE SYSTEM**  
**Doubtful Accounts**  
**Fiscal Years 2012 through 2015**

Fiscal Year	Allowance for Doubtful Accounts	Total Collection Fees	Doubtful Accounts as % of Total Collection Fees
2015	\$71,893	\$17,255,525	0.42%
2014	72,874	16,699,303	0.44
2013	95,177	16,596,244	0.57
2012	90,291	16,469,927	0.55

Source: City of Napa.

### **Rate Stabilization Reserve Account**

As noted above, the City maintains a Rate Stabilization Reserve to address variances in revenue and expenses over a period of years without alternately raising and lowering rates. See “General – City Fiscal Policy For Solid Waste Enterprise Fund Reserves.”

For Fiscal Year 2016-17, the Fiscal Policy for the Solid Waste and Materials Diversion (Recycling) Enterprise Fund requires the City to maintain a balance in the reserve of 9% of the total operating costs for the System less debt service, and capital projects. As of June 30, 2016, the balance in the Rate Stabilization Reserve account was \$1,636,142.

The definition of “Revenues” in the Indenture includes moneys transferred from the Rate Stabilization Reserve to the Solid Waste and Materials Diversion (Recycling) Enterprise Fund’s operating account (see “SECURITY FOR THE BONDS – Gross Revenues, Net Revenues and Maintenance and Operation Costs”). However, the City cannot assure Bondholders that it will maintain the Rate Stabilization Reserve as it currently does, or that it would replenish the Rate Stabilization Reserve if it were to spend amounts in the Rate Stabilization Reserve.

### **Customer Base**

The following table summarizes the number of customers served by the Solid Waste Enterprise System as of December 31, 2015, grouped by customer type, based upon information provided annually to the City by Operator.

**Table 7**  
**CITY OF NAPA**  
**SOLID WASTE ENTERPRISE SYSTEM**  
**Summary of Accounts and Usage by User Type**  
**As of December 31, 2015**

User Type	Number of Accounts	Revenues <sup>(1)</sup>	Billings as % of Total
Residential	21,705	\$7,808,743	43.5%
Multi-Family	96	1,554,949	8.7
Commercial	1,087	5,158,904	28.7
NVUSD <sup>(2)</sup>	29	299,371	1.6
Drop Box <sup>(3)</sup>	101	3,148,081	17.5
<b>Totals</b>	<b>23,018</b>	<b>\$17,970,049</b>	<b>100%</b>

(1) Revenue based on rates billed and collected by Operator for calendar year 2015.

(2) NVUSD is Napa Valley Unified School District. Operator serves NVUSD pursuant to the Collection Contract.

(3) Drop boxes are 10-, 20- and 30-yard open-top boxes used for temporary refuse storage, for example, as part of large construction projects, and compactors used by large refuse generators.

Source: Operator.

The following table sets forth a five-year history (based on calendar years 2011 through 2015) of the number of accounts for the Solid Waste Enterprise System, based upon information provided annually to the City by Operator.

**Table 8**  
**CITY OF NAPA**  
**SOLID WASTE ENTERPRISE SYSTEM**  
**Number of Accounts**  
**Calendar Year 2011 through 2015**

Calendar Year	Number of Accounts
2015	23,018
2014	23,004
2013	23,155
2012	22,880
2011	22,639

Source: Operator.

The following table lists the ten largest customers of the Solid Waste Enterprise System for calendar year 2015, based on (1) the amount of their monthly bill and (2) the revenue generated from the collection of rates in calendar year 2015 from all customers of the Solid Waste Enterprise System. This information is provided annually to the City by Operator. The ten largest customers, in the aggregate, represent less than 10% of the total revenues of the Solid Waste Enterprise System, and no individual customer accounts for more than 1.7% of the total revenues. The top ten customers are listed in alphabetical order below.

**Table 9**  
**CITY OF NAPA**  
**SOLID WASTE ENTERPRISE SYSTEM**  
**Ten Largest Customers**  
**Calendar Year 2015**

Customer (Type of Account)	Land Use
City of Napa Parks and Recreation	Government
County of Napa	Government
Crescent Park Apartments	Multi-family
Hawthorne Village Apartments	Multi-family
The Home Depot	Retail
Meritage Hotel	Hotel
Napa Premium Outlets	Retail
Napa Valley Unified School District	Educational
Queen of the Valley Hospital	Medical
Whole Foods Market	Retail

*Source: Operator.*

### City Fiscal Policy for Solid Waste Enterprise Fund Reserves

The City Council has adopted a Fiscal Policy for the Solid Waste and Materials Diversion (Recycling) Enterprise Fund. The policy requires establishment and maintenance of the various reserves for the fund, which are set forth in the following table and described below.

**Table 10**  
**CITY OF NAPA**  
**SOLID WASTE ENTERPRISE SYSTEM**  
**Summary of Reserve Funds**  
**As of June 30, 2014 through 2016**

	Balance as of June 30, 2014	Balance as of June 30, 2015	Balance as of June 30, 2016 (Unaudited)
Reserve Funds			
Liability Reserve	\$350,000	\$350,000	\$350,000
Capital Improvement Projects (in process)	1,526,657	1,691,951	1,800,691
Capital Improvement Projects Reserve (future projects)	2,546,764	0	0
Operating Reserve	4,956,476	3,284,302	3,940,000
Rate Stabilization Reserve	1,241,118	1,387,018	1,636,142
<b>Total</b>	<b>\$10,621,015</b>	<b>\$6,713,271</b>	<b>\$7,726,833</b>

*Source: City of Napa.*

The Fiscal Policy for the City's Solid Waste and Materials Diversion (Recycling) Enterprise Fund requires that the following reserves be maintained at specified levels (see below).

- *Liability Reserve.* This reserve is designed to fund liabilities of the City for items related to the operations of the Solid Waste and Materials Diversion (Recycling) Enterprise Fund. These include a portion of the costs of litigation related to the closure of the former Coombsville Dump Site. See “–Coombsville Dump/Hidden Glen Landfill” above. The policy requires a minimum balance in the liability reserve of \$200,000. As of June 30, 2016, the balance was \$350,000. No additional contributions to this reserve are currently anticipated.
- *MDF Capital Improvement Projects Reserve.* The policy requires that for projects in excess of \$125,000, a capital improvements project reserve be established. The amount of the required reserve is revised during each Rate Study to determine the annual contribution required based on the most recent Capital Improvement Project Plan. As of June 30, 2016, the minimum annual contribution was \$536,000. The City separates the reserve between ongoing projects (e.g. Covered Composting System project) and future projects. Due to the size of the Covered Composting System project, all Capital Improvement Project funds (for the period ending June 30, 2015 and June 30, 2016) are shown in the (in process) Capital Improvement Projects reserve. The reserve for the on-going Capital Improvement Projects reserve (in process) as of June 30, 2016 (unaudited) was \$1,800,691.
- *Operating Reserve.* The policy requires an operating reserve be maintained with a minimum balance equal to 20% of annual operating costs, less debt service on outstanding indebtedness, capital expenses and contributions to the Street Resurfacing Fund. As of June 30, 2016, the balance was \$3,940,000, which is equal to 17.3% of Fiscal Year 2016-17 budgeted operating costs less the specified costs to be deducted. The City is working toward increasing the reserve to meet the 20% requirement.
- *Rate Stabilization Reserve.* The policy requires a rate stabilization reserve be maintained with a minimum balance equal to 9% of annual operating costs for Fiscal Year 2016-17 and 10% of annual operating costs for Fiscal Year 2017-18 and beyond. As of June 30, 2016, the balance was \$1,636,142 or 9%.

## Financial Statements

***Current Financial Statements.*** Attached as APPENDIX B are excerpts from the audited financial statements of the City for Fiscal Year 2014-15, which include financial statements for the City's Solid Waste and Materials Diversion (Recycling) Enterprise Fund, prepared by City's independent accounting firm, Vavrinek, Trine, Day & Company, LLP, Certified Public Accountants, Pleasanton, California (the “**Auditor**”). *The City has not requested nor did the City obtain permission from the Auditor to include excerpts from the City's audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review or reviewed this Official Statement.*

The financial statements for the City's Solid Waste and Materials Diversion (Recycling) Enterprise Fund reflect all the revenues and expenses of the Solid Waste Enterprise System. These include payments to the Operator of the Solid Waste Enterprise System, costs for City

staff, overhead and administration and mitigation fees for street maintenance and repair paid to the General Fund.

***Future Financial and Operating Information.*** The City will covenant in the Continuing Disclosure Certificate to provide, on an annual basis, financial information about the Solid Waste and Materials Diversion (Recycling) Enterprise Fund, along with certain operating data relating to the Solid Waste Enterprise System. See “APPENDIX D – Form of Continuing Disclosure Certificate.”

### **Historical Fund Balances**

The following table sets forth the balance sheets for the Solid Waste and Materials Diversion (Recycling) Enterprise Fund for the past five fiscal years.

**Table 11**  
**CITY OF NAPA**  
**SOLID WASTE ENTERPRISE SYSTEM**  
**Historical Balance Sheets**  
**As of June 30, 2012 through 2015 (Audited) and**  
**As of June 30, 2016 (Unaudited)**

	<b>Audited</b>				<b>Unaudited</b>
	2012	2013	2014	2015	2016
<b>ASSETS</b>					
<i>Current Assets</i>					
Cash & Investments <sup>(1)</sup>	\$10,584,321	\$11,849,645	\$10,830,477	\$7,792,262	\$8,031,808
Receivables					
Accounts	2,826,013	3,081,702	2,847,215	2,096,348	3,008,408
Fed, state, other government & interest receivable <sup>(2)</sup>	51,885	142,652	49,542	11,497	--
<i>Total Current Assets</i>	13,462,222	15,073,999	13,727,234	9,900,107	11,040,216
<i>Non-Current Assets</i>					
Restricted Cash & Investments <sup>(3)</sup>	2,448,448	2,510,997	64,643	--	--
Capital Assets					
Nondepreciable <sup>(4)</sup>	4,270,727	4,460,820	4,014,660	7,618,987	9,482,232
Depreciable, net	5,427,526	5,151,420	6,003,464	5,876,818	5,454,367
<i>Total Non-Current Assets</i>	12,146,701	12,123,237	10,082,767	13,495,805	14,936,599
<b>TOTAL ASSETS</b>	25,608,923	27,197,236	23,810,001	23,395,912	25,976,815
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Outflows related to pension <sup>(5)</sup>	--	--	--	109,842	109,842
<b>LIABILITIES</b>					
<i>Current Liabilities</i>					
Accounts payable and accrued liabilities	1,637,065	2,763,360	1,967,511	2,088,108	1,600,010
Compensated absences	3,612	4,669	7,573	6,600	5,771
Accrued Interest	97,149	87,662			
Deposits payable	269,609	157,719	220,864	281,088	355,298
Unearned revenue		1,250			
Long Term Debt					
Revenue bonds	450,000	475,000	--	--	--
<i>Total Current Liabilities</i>	2,457,435	3,489,660	2,195,948	2,375,796	1,961,079
<i>Non-Current Liabilities</i>					
Compensated absences	26,290	36,182	35,258	39,363	39,939
Net Pension Obligation <sup>(5)</sup>				1,285,230	1,285,230
Long Term Debt					
Revenue bonds, net of unamortized issuance costs and discounts <sup>(3)</sup>	3,530,668	3,077,784			
<i>Total Non-Current Liabilities</i>	3,556,958	3,113,966	35,258	1,324,593	1,325,169
<b>TOTAL LIABILITIES</b>	6,014,393	6,603,626	2,231,206	3,700,389	3,286,248
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows related to pension <sup>(5)</sup>	--	--	--	194,127	194,127
<b>NET ASSETS</b>					
Invested in capital assets (net of related debt) <sup>(6)</sup>	8,166,033	8,570,453	10,082,767	13,495,805	14,936,599
Restricted <sup>(3)</sup>			64,643		
Unrestricted	11,428,497	12,023,157	11,431,385	6,115,433	7,669,683
<b>TOTAL NET ASSETS</b>	\$19,594,530	\$20,593,610	\$21,578,795	\$19,611,238	\$22,606,282

Footnotes to Table 11 appear on next page.

- (1) The reduction of Cash and Investments between FY 2013-14 and FY 2014-15 was related to Capital Improvement Project expenditures, most notably the Covered Composting system.
- (2) The Increase in Federal, state, other government & interest receivable in FY 2012-13 was related to an accounting correction to the Fair Market Value adjustment on investments.
- (3) A number of categories: Restricted Cash & Investments, Accrued Interest, Long Term Debt and Restricted Fund Balance amounts in FY 2011-12 and FY 2012-13 reflect the obligation and reserves for the 2004 Solid Waste Bonds. The reduction to these categories in FY 2013-14 was due to the June 2014 pay off of the 2004 Solid Waste Bonds.
- (4) The increase in Nondepreciable Capital Assets between FY 2013-14 and FY 2014-15 was related to the work in progress on Capital Improvement projects, most notably the Covered Composting System.
- (5) A number of categories: Deferred Outflows related to pension, Net Pension Obligation and Deferred Inflows related to pension result from the City's implementation of GASB 68 in FY 2014-15.
- (6) Fund Balance – Invested in capital assets increased between FY 2012-13 and FY 2013-14 due to the payoff of the 2004 Solid Waste Bonds. The increase between FY 2013-14 and FY 2014-15 was related to ongoing investment in capital improvement projects (most notably the Covered Composting System).

*Source: City's Audited Financial Statements for fiscal years 2011-12 through 2014-15 and unaudited actuals for fiscal year 2015-16.*

**Historical Revenues and Expenses**

The following table sets forth historical revenues and expenses for the Solid Waste and Materials Diversion (Recycling) Enterprise Fund, based upon the audited financial statements of the City for the years through June 30, 2015 and unaudited actuals for the fiscal year ended June 30, 2016.



**Table 12**  
**CITY OF NAPA**  
**SOLID WASTE ENTERPRISE SYSTEM**  
**Historical Revenues, Expenses and Debt Service Coverage**  
**Fiscal Years 2011-12 through 2014-15 (Audited)**  
**and Fiscal Year 2015-16 (Unaudited)**

	Actual				Unaudited
	2011-12	2012-13	2013-14	2014-15	2015-16
<b>REVENUE BY CATEGORY</b>					
Charges for Services					
Collection Charges (rate revenue) <sup>(1)</sup>	\$16,469,927	\$16,596,244	\$16,699,303	\$17,255,525	\$19,454,030
Gate Fees <sup>(2)</sup>	1,351,525	1,424,005	1,278,835	1,263,730	1,717,665
Material Sales	6,681,257	6,352,324	5,890,586	5,667,385	5,157,772
Other Charges for Services <sup>(3)</sup>	18,246	31,108	205,006	18,560	120,397
Intergovernmental	43,730	58,018	53,752	32,694	49,177
Miscellaneous Revenues & Investment Earnings <sup>(4)</sup>	268,199	41,833	219,645	41,161	154,195
<b>TOTAL REVENUES</b>	<b>24,832,884</b>	<b>24,503,532</b>	<b>24,347,126</b>	<b>24,279,054</b>	<b>26,653,236</b>
<b>OPERATING EXPENSES (excludes depreciation)</b>					
Salaries and Wages	470,448	488,386	519,835	614,633	619,534
Benefits	167,061	169,136	198,549	253,581	272,188
Materials, Supplies & Services					
Payments to Contractor	14,318,023	14,816,531	14,632,003	14,728,424	14,456,087
Payment of Transfer tip fees	2,368,261	2,352,211	2,547,836	2,713,736	2,965,173
Payments for Materials	1,658,661	1,876,182	1,680,196	1,780,309	1,967,929
Other Materials, Supplies & Services	866,728	737,773	744,125	776,335	673,610
Transfers Out – Admin Support from General Fund <sup>(5)</sup>	773,967	527,891	470,498	479,908	494,305
<b>TOTAL OPERATING EXPENSES</b>	<b>20,623,149</b>	<b>20,968,110</b>	<b>20,793,042</b>	<b>21,346,926</b>	<b>21,448,827</b>
<b>NET REVENUES (REVENUES - OPERATING EXPENSES)</b>	<b>4,209,735</b>	<b>3,535,422</b>	<b>3,554,084</b>	<b>2,932,128</b>	<b>5,204,410</b>
<b>DEBT SERVICE CALCULATIONS</b>					
Debt Service <sup>(6)</sup>	665,567	664,842	662,838	--	--
<b>DEBT SERVICE COVERAGE</b>	<b>6.3</b>	<b>5.3</b>	<b>5.4</b>	<b>N/A</b>	<b>N/A</b>
<b>Other Items<sup>(7)</sup></b>					
Revenues					
Material Sales related to Increased Building Activity	--	--	--	--	--
2004 Solid Waste Revenue Bonds - Bond Reserve	--	--	2,510,997	--	--
Additional User of Reserve to extinguish outstanding balance of 2004 Solid Waste Revenue Bonds	--	--	892,000	--	--
Expenditures					
Payoff of 2004 Solid Waste Revenue Bonds	--	--	3,310,000	--	--
One-time Accounting Adjustment to Record Bad Debt Expense for fund	--	--	--	894,837	--
Capital Outlay / Depreciation	420,434	621,499	597,008	791,085	489,169
Contribution to Street Resurfacing Assessment	\$1,500,000	\$1,700,000	\$1,780,623	\$1,834,041	\$1,832,635

Note: The City, in accordance with GAAP Section 80.20.50 presents the financials (including debt service obligations) for the Solid Waste Enterprise Fund using the accrual basis of accounting. This presentation has also been utilized for this Table 12.

(1) Collection Charges (rate revenue). The increase between FY 2014-15 and FY 2015-16 was primarily caused by (a) the rate increase impact \$700,000, and (b) unanticipated variable revenue from construction roll-off drop box activity (\$1.5 million) from increased construction activity in the City.

(2) Gate Fees – Beginning in FY 2015-16 and growing through FY 2017-18 (see Table 13 below), the new permit and covered compost system will result in 30,000 tons of new material being delivered to the Napa MDF.

(3) Other Charges for Services in FY 2013-14 included \$180,000 of one-time revenue related to funds set aside for diversion incentives. The increase of approximately \$80,000 in FY 2015-16 was the refund of City paid property taxes resulting from the March 2014 annexation of the facility property. Debt Service shown is for the 2004 Solid Waste Bonds. These bonds were paid off in Fiscal Year 2013-14. The payoff of the 2004 bonds utilized \$0.9 million from Reserves.

(4) The decrease in Miscellaneous Revenues & Investment Earnings between FY 2013-14 and FY 2014-15 is related to the payoff of the 2004 Solid Waste Bonds in June 2014, which reduced the investment holdings.

(5) Administrative support provided by the General Fund is calculated through the City's Cost Allocation Plan. This includes support from the City Council, City Attorney, City Manager, City Clerk, Human Resources, and the Finance Department.

(6) Debt Service shown is for the 2004 Solid Waste Bonds. These bonds were paid off in FY 2013-14. The payoff of the 2004 bonds utilized \$0.9 million from Reserves.

(7) Other Items – Revenues and Expenditures not considered in Debt Service calculations are noted for informational purposes only.

Source: City's Audited Financial Statements for fiscal years 2011-12 through 2014-15 and unaudited actuals for fiscal year 2015-16.

### **Projected Revenues, Maintenance and Operation Expenses and Debt Service Coverage**

The following table sets forth projected Revenues, Maintenance and Operation expenses and debt service coverage for the Solid Waste and Materials Diversion (Recycling) Enterprise Fund for the next five fiscal years: Fiscal Years 2016-17 through 2020-21. The projections reflect the following:

***Current Rates and Rate Increases.*** The projected collection rates for Fiscal Year 2016-17 are those used by the City which became effective January 1, 2016; the projected revenues for subsequent future fiscal years assume a 6% increase in the rate structure effective July 1, 2017; 4% effective January 1 2018, 4% effective January 1, 2019; 3% effective January 1, 2020; and 3% effective January 1, 2021.

***Maintenance and Operation Expenses.*** The projected Maintenance and Operation Expenses for Fiscal Year 2016-17 are based on the adopted budget, with adjustments to reflect the definition of Maintenance and Operation Expenses established by the Indenture; the projected Maintenance and Operation Expenses for subsequent years assume increases as noted in the footnotes to the table.

**Table 13**  
**CITY OF NAPA**  
**SOLID WASTE ENTERPRISE SYSTEM**  
**Projected Revenues, Expenses and Debt Service Coverage**  
**Fiscal Years 2016-17 through 2020-21**

	Projected				
	2016-17	2017-18	2018-19	2019-20	2020-21
<b>REVENUE BY CATEGORY</b>					
Charges for Services					
Collection Charges (rate revenue) <sup>(1)</sup>	\$18,179,351	\$19,979,351	\$20,699,351	\$21,239,351	\$21,779,351
Gate Fees <sup>(2)</sup>	1,900,000	2,200,000	2,200,000	2,200,000	2,200,000
Material Sales <sup>(3)</sup>	4,848,306	4,557,408	4,283,963	4,112,605	3,948,100
Other Charges for Services	22,331	22,331	22,331	22,331	22,331
Intergovernmental	59,549	50,000	50,000	50,000	50,000
Miscellaneous Revenues & Investment Earnings <sup>(4)</sup>	279,682	200,000	200,000	200,000	200,000
<b>TOTAL REVENUES</b>	<b>25,289,219</b>	<b>27,009,090</b>	<b>27,445,645</b>	<b>27,824,287</b>	<b>28,199,782</b>
<b>OPERATING EXPENSES (excludes depreciation)</b>					
Salaries and Wages <sup>(5)</sup>	792,507	823,018	854,704	887,611	921,784
Benefits <sup>(6)</sup>	353,353	371,021	389,572	409,051	429,503
Materials, Supplies & Services					
Payments to Contractor <sup>(7)</sup>	14,884,693	15,956,131	16,496,284	16,962,691	17,195,509
Payments of Transfer tip fees <sup>(8)</sup>	2,796,812	2,896,812	2,996,812	3,096,812	3,196,812
Payments for Materials <sup>(9)</sup>	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Other Materials, Supplies & Services <sup>(10)</sup>	960,845	900,000	922,500	945,563	969,202
Transfers Out – Admin Support from General Fund <sup>(10)</sup>	509,134	528,736	549,092	570,232	592,186
<b>TOTAL OPERATING EXPENSES</b>	<b>22,297,345</b>	<b>23,475,718</b>	<b>24,208,965</b>	<b>24,871,959</b>	<b>25,304,995</b>
<b>NET REVENUES (REVENUES - OPERATING EXPENSES)</b>	<b>2,991,873</b>	<b>3,533,371</b>	<b>3,246,680</b>	<b>2,952,327</b>	<b>2,894,787</b>
<b>DEBT SERVICE CALCULATIONS</b>					
Debt Service <sup>(12)*</sup>	259,959	372,849	831,029	827,826	828,205
<b>DEBT SERVICE COVERAGE*</b>	<b>11.5</b>	<b>9.5</b>	<b>3.9</b>	<b>3.6</b>	<b>3.5</b>
<b>Other Items<sup>(13)</sup></b>					
Expenditures					
Capital Outlay / Depreciation	804,270	804,270	804,270	804,270	804,270
Contribution to Street Resurfacing Assessment	\$1,872,953	\$1,914,158	\$1,956,269	\$1,999,307	\$2,043,292

Note: The City, in accordance with GAAP Section 80.20.50 presents the financials (including debt service obligations) for the Solid Waste Enterprise Fund using the accrual basis of accounting. This presentation has also been utilized for this Table 13.

- (1) Collection Charges (rate revenue) assumes rate increases as follows: 6.0% effective July 1, 2017; 4.0% effective January 1, 2018; 4.0% effective January 1, 2019; 3.0% effective January 1, 2020; and 3.0% effective January 1, 2021.
- (2) Gate Fees. Beginning in FY 2015-16 (see Table 12 above) and growing through FY 2017-18, the new permit and covered compost system will result in 30,000 tons of new material being delivered to the Napa MDF with an assumption of 10,000 new tons each year of the three FY period. This growth is made possible by the expanded capacity provided by the covered composting system. See "THE SOLID WASTE ENTERPRISE SYSTEM – Capital Improvement Program" for more information on this anticipated improvement.
- (3) Material Sales assumes an annual reduction of 6% in FY 2016-17 through FY 2018-19 (based on the 3-year average decline between FY 2012-13 and FY 2015-16), and 4% annual decline thereafter due to continuing erosion of the global commodity markets.
- (4) Miscellaneous Revenues & Investment Earnings project approximately \$50,000 per year in Miscellaneous revenues and \$150,000 per year in investment earnings.
- (5) Salaries and Wages assume cost of living and merit increases of approximately 3.85% per year (consistent with City projections). The increase between FY 2015-16 and FY 2016-17 results from the comparison of actuals (FY 2015-16) to budget (FY 2016-17). Budget salaries & wages assume a 2% vacancy rate for positions that may be vacant during the year.
- (6) Benefits assume benefit cost increase of approximately 5% per year (consistent with City projections). Benefits includes Pensions, Medical, dental and other benefits.
- (7) Payments to Contractor in FY 2017-18 through FY 2020-21 were estimated in accordance with the terms of the agreement currently in negotiation with the contractor.
- (8) Payment of Transfer tip fees are projected to increase \$100,000 per fiscal year.
- (9) Payments to Northern for Materials Sales is projected to remain consistent at \$2.0 million per fiscal year.
- (10) Other Materials, Supplies & Services in FY 2016-17 are higher than usual due to the funding for additional support and review during both contract negotiations, and development of financing alternatives. Expenditures are projected to normalize at \$1.0 million, and increase by 2.5% per year through FY 2020-21.
- (11) Administrative support provided by the General Fund is calculated through the City's Cost Allocation Plan. This includes support from the City Council, City Attorney, City Manager, City Clerk, Human Resources, and the Finance Department.
- (12) The FY 2016-17 Adopted Budget includes an appropriation of \$1.7 million for new bonded indebtedness, which has been excluded from this table since the first debt payment on the Bonds is not anticipated to occur until FY 2017-18.

(13) Other items - Revenues and Expenditures not considered in Debt Service calculations are noted for informational purposes only.

*\* Preliminary; subject to change.*

*Source; City of Napa; Underwriter for the projected debt service amounts.*

## Capital Improvement Program

As noted above, the City's Fiscal Policy for the Solid Waste and Materials Diversion (Recycling) Enterprise Fund includes establishment and maintenance of the Capital Improvement Project Reserve. Annual contributions to this reserve are calculated based upon annual updates of the Capital Improvement Project Plan for the Solid Waste Enterprise System and the Napa MDF. As noted above under "FINANCING PLAN – General," the City intends to use the proceeds of the Bonds to fund three capital improvement projects for the Solid Waste Enterprise System. These projects are described below.

The first two projects (covered composting system/CASP and Stormwater upgrades) constitute priority improvements at the Napa MDF. The City and its Operator obtained CEQA clearance for these two projects in February 2014. Certain other permits and approvals are in place or expected. See "SOLID WASTE REGULATIONS" herein. The third project (roof extensions of materials recovery building) will only be funded by Bond proceeds if and when the first two projects are completed, a CEQA initial study and determination is completed for the project and there are funds remaining and available to apply to such project.

**Covered Composting System/CASP.** In July 2012, the City Council approved the City's "Disposal Reduction Policy," which aligns the City with Statewide goals of 75% recycling and composting of discarded materials by 2020. To achieve the City's goals, discarded food scraps will need to be captured for composting and the Napa MDF will have to be upgraded in order to properly receive and process a wider range of organic materials (including food scraps and soiled paper). Volatile organic compounds (VOC) and odor emission control will require a new covered compost system. This new system must include positive pressure to capture and direct emissions through a natural biofilter (which is a minimum twelve inches of "finished" stable compost). The technical name for the system is a Covered Aerated Static Pile or "CASP" system that will help mitigate odors as well reduce air emissions by over 80% according to studies conducted on similar CASP systems. The total cost including permitting, CEQA analysis and organics receiving building and pre-processing system is projected at approximately \$12.0 million to \$12.5 million, with approximately \$5.0 million already incurred to date and the remaining portion, of approximately \$7.0 million to \$7.5 million, to be funded by proceeds of the Bonds.

**Stormwater Upgrades.** In August of 2015, the State of California Water Resources Control Board issued a "General Order" for compost facilities such as the Napa MDF. The General Order sets standards for construction, operation and maintenance of composting facilities to protect surface and groundwater quality. It provides a number of requirements, including standards for the permeability of the ground underneath compost piles, drainage and specifications for leachate collection and containment. The Order also includes requirements for monitoring and reporting. The Napa MDF has an existing general discharge permit, but the City must now obtain a new "compost operations permit," which requires that the Napa MDF meet significantly more stringent stormwater run-off requirements. The necessary stormwater basin and treatment upgrades to the Napa MDF are projected to cost between \$2.0 million to \$2.5 million and are projected to be constructed, using proceeds of the Bonds, in the summer of 2017 after the CASP system is constructed and becomes operational in the spring of 2017.

**Roof Extensions of Materials Recovery Building.** The planned improvement is a series of extensions of the roof on the existing Material Recovery Building which consist of three contiguous rooftops. The planned extensions would add 23,380 square feet of roof to two adjacent rooftops, and is projected to cost \$1.0 million to \$1.5 million. The area of the two

existing rooftops to which the additions will be made total 32,000 square feet, while there is a total of 35,000 square feet of existing, contiguous rooftop area. The purpose of the additional roof area is to provide protection for stored recyclable materials and to protect storm water quality. As noted above for the stormwater upgrades in the composting area of the Napa MDF, storm water regulations are becoming increasingly stringent, with new regulations having gone into effect in July, 2015 for the “non-compost” side of the Napa MDF facility. Additionally, the roof extensions will provide for a larger protected storage area for processed and unprocessed recyclables, thereby maximizing the facility’s recycled tons. The improvements would not change any existing activities at the Napa MDF, but instead provide additional roof area for on-going activities.

Unlike the CASP system and compost facility stormwater upgrades described above, the roof extensions improvement has not completed the CEQA analysis and study process. An initial draft study has been conducted and the City’s Planning Division is expected to release the study for consultation and review in September 2016 with a 20-day general public review period to follow the 30-day initial review period. A CEQA determination and finding would be completed prior to any physical change or construction activities for this expected capital improvement to the Napa MDF.

The City has not yet entered into construction contract(s) for any of the three improvements anticipated to be funded with proceeds of the Bonds. The City expects to issue a Request for Proposals (RFP) for a design-build construction contract for the Covered Composting System/CASP in October, 2016, with an anticipated contractor selection in late November/early December, 2016. The RFP will seek to address design and construction of the composting-related stormwater improvements as well as the Covered Composting System/CASP system, with the stormwater upgrades to begin in the summer of 2017 once the Covered Composting System/CASP project element is constructed and becomes operational. With respect to the roof extensions project on the main sorting building at the Napa MDF, the RFP will address them as an optional project. Depending on the cost estimates obtained through the RFP process, the roof extensions may or may not be added to the design-build contract award. In all cases, the roof extensions would only be initiated after the conclusion of the CEQA process.

If cost estimates obtained by the City through the RFP process for any of the foregoing improvement projects are higher than estimated, the City anticipates it would scale back the applicable project, issue additional Parity Bonds and/or use ongoing revenues to complete the applicable project. The CASP and stormwater upgrades must be constructed and installed in a timely manner to assure permit compliance (solid waste, air and water) for the Napa MDF in a timely manner. See “RISK FACTORS – Use of Bond Proceeds; Financial Projections” herein.

#### **No Senior or Parity Obligations**

There are no outstanding bonds or other obligations payable from Revenues on a senior or parity basis with the Bonds.

#### **Additional Information on Material Sales**

Material sales represent the second largest source of revenue to the Water Enterprise System. As noted above, Operator sells, on behalf of the City, recyclable materials processed at the Napa MDF. These processed materials consist of compost, crushed asphalt and concrete, various grades of plastic, various grades and colors of paper, metals, chip board, and various grades and colors of glass. The revenue realized from the sale of recycled material is

shared between the City and its Operator under the Collection Contract (currently, 70% is retained by the City and 30% is paid to the Operator). There is significant variability from year to year in the volume of recycled material and the market price for recycled material since much of the material is sold from the Napa MDF into the global markets. Accordingly, the City's projected revenues from material sales is highly uncertain.

The following tables provide additional information for the past five calendar years (2011 through 2015) regarding the top five commodities by revenue, for the Solid Waste Enterprise System, based on total revenue from material sales.

**Table 14**  
**CITY OF NAPA**  
**SOLID WASTE ENTERPRISE SYSTEM**  
**Material Sales – Top 5 Commodities by Revenue**  
**Calendar Years 2011 through 2015**

	2011	2012	2013	2014	2015
Cardboard	\$1,830,050	\$1,377,662	\$1,243,187	\$1,052,421	\$1,020,186
PET Plastic (Bottles)	745,582	1,111,637	1,255,612	1,128,256	1,074,493
Newspaper/Mixed Paper	962,663	867,420	804,875	775,693	520,359
Aluminum	410,996	538,228	668,303	653,836	618,273
Green Glass (Bottles)	510,174	520,332	552,672	539,287	499,114
Top 5 Total	4,459,464	4,415,279	4,524,648	4,149,492	3,732,425
Total Revenue <sup>(1)</sup>	\$5,756,857	\$5,727,318	\$5,851,802	\$5,577,396	\$4,827,381
Top 5 % of Total Revenue	77%	77%	77%	74%	77%
Year-over-Year Change	--	(1.0)%	2.0%	(8.0)%	(10.0)%

(1) Total revenues from material sales does not include direct compost and gravel sales. These revenues have averaged \$265,000 over the 5 years shown, ranging from a low of \$203,000 in calendar year 2011 to a high of \$330,000 in calendar year 2013.

Source: City of Napa

**Table 15**  
**CITY OF NAPA**  
**SOLID WASTE ENTERPRISE SYSTEM**  
**Material Sales – Volume of Top 5 Commodities by Revenue**  
**Calendar Years 2011 through 2015**  
**(Volumes In Tons)**

	2011	2012	2013	2014	2015
Cardboard	9,697	9,189	8,357	7,381	9,154
PET Plastic (Bottles)	571	704	781	721	625
Newspaper/Mixed Paper	6,129	7,410	7,412	7,611	6,465
Aluminum	122	156	157	149	154
Green Glass (Bottles)	4,206	3,983	4,092	4,110	3,893
Top 5 Total <sup>(1)</sup>	20,724	21,441	20,799	19,972	20,291

(1) Totals may not foot due to rounding.

Source: City of Napa

The financial projections regarding revenues, expenses and debt service coverage in Table 13 above assume an annual decline in Material sales revenues of 6% in Fiscal Year 2016-17 through Fiscal Year 2018-19 (based on the 3-year average decline between Fiscal Year 2012-13 and Fiscal Year 2015-16), and 4% annual declines thereafter due to continuing erosion of the global commodity markets. There can be no assurance that actual Material sales

revenues will be consistent with those projections and they may be materially adversely different.



## SOLID WASTE REGULATIONS

***California Integrated Waste Management Act.*** The California Integrated Waste Management Act, or AB 939, became effective on January 1, 1990, and implemented numerous revisions in state law which, among other things, directed all California cities and counties to maximize all feasible source reduction, recycling and composting options in order to reduce the amount of solid waste that must be disposed of by transformation (through waste-to-energy projects or other processes) and land disposal. As a result of AB 939, solid waste management changed to an integrated solid waste management approach in which source reduction, recycling and composting play an integral role in the waste management strategy.

Under AB 939, each city or county (a "local agency") in the State was required to achieve a 25% diversion in solid waste disposed of in landfills or by transformation by January 1, 1995, and 50% by the year 2000. Local agencies are responsible for these goals whether or not they control disposal of wastes generated within their jurisdiction. Local agencies could face monetary fines of up to \$10,000 per day if CalRecycle deems local planning efforts to be inadequate or if localities fail to satisfactorily implement plans to achieve the 25% and 50% goals, although monetary fines of this size follow failure by a local agency to comply with a voluntary plan and failure by a local agency to comply with a compliance order imposed by CalRecycle.

For calendar years 2014 and 2015 the City reported diversion rates of 65% and 67%, respectively, to CalRecycle. Thus, the City is in compliance with AB 939.

AB 341 was signed into law in 2011, amending the California Integrated Waste Management Act to, among other things, establish a Statewide goal of 75% diversion by 2020. AB 341 further required all businesses generating four cubic yards of solid waste and all multi-family complexes of five units or more to arrange for recycling services by July 1, 2012. The City is required to provide such a program as of the same date and has done so. Businesses and multi-family complexes may participate in the City's commercial recycling program or may donate or sell their recyclable materials to a third party. The City's annual report to CalRecycle must report on the number of businesses and multi-family complexes that are participating in a recycling program and the number (if any) that are not. The City and the Operator work continuously with businesses and multi-family complexes to make sure all are participating in a recycling program.

AB 1826 was signed into law in 2014, further amending the California Integrated Waste Management Act. This amendment requires all businesses generating eight or more cubic yards of compostables to participate in a compostables collection program (food scraps, green waste and wood) by April 1, 2016. Businesses generating four cubic yards of compostables per week must participate by January 1, 2017. Businesses generating four cubic yards of solid waste per week must participate by January 1, 2019. CalRecycle may require businesses generating two cubic yards of solid waste to participate beginning January 1, 2020 if statewide diversion targets are not being met. Multi-family complexes of five or more units must participate in a compostables collection program for green waste and wood by April 1, 2016. The City was required to provide a program for collection and processing of compostables by April 1, 2016 and has done so. For calendar year 2015 there were a total of 51 business and multi-family complexes participating in this program. The City and the Operator are continuing to add participants to this program.

AB 341 required CalRecycle to develop a Statewide plan to divert 75% of all solid waste by 2020. The City adopted a corresponding "Disposal Reduction Policy" in July of 2012 (Resolution No. 2012-100) to align with the 75% goal for the City by 2020 as well. A cornerstone of that plan is diversion of food scraps. As discussed elsewhere in this Official Statement, a portion of the Bond proceeds are expected to be used to upgrade the City's composting operation, enabling expansion of the commercial food scrap collection program as described above. Pursuant to the new permit issued by CalRecycle for the Napa MDF, the City can also accept and process food scraps and other compostable materials from collection companies outside of the City and from other jurisdictions in the region for processing at the Napa MDF.

**Solid Waste Disposal Regulations.** The City's solid waste management system is regulated at the local, state and federal levels. CalRecycle has primary oversight and regulatory responsibilities for the City's system and has designated the Napa County Administrator as the Local Enforcement Agency ("**LEA**"). The LEA makes regular inspections at the Napa MDF, the Transfer Facility and the Landfill to ensure that they are in compliance with regulatory requirements as set forth by the Environmental Protection Agency and the State.

Since its enactment in 1976, the federal Resource and Conservation Recovery Act ("**RCRA**") included authority for the United States Environmental Protection Agency ("**USEPA**") to control the disposal of solid waste ("**Subtitle D**"), as well as the management of hazardous waste ("**Subtitle C**"). The State's regulatory program enforces the federal RCRA provisions.

As part of Subtitle D, financial responsibility regulations require owners or operators of hazardous waste facilities to demonstrate financial assurance for sudden and accidental pollution occurrences as well as for non-sudden or gradual pollution occurrences.

The United States Congress and the State legislature are, at any given time, considering a variety of bills involving solid waste and recycling issues. The City is unable to predict which, if any, of the potential State or federal legislative enactments may be implemented or how any particular proposed legislation might impact the solid waste collection, recycling and disposal services provided by the City.

**Air and Water Quality Regulations.** Solid waste management facilities are closely monitored to protect air and water quality. Under the State Porter-Cologne Water Quality Control Act (the "Porter-Cologne Act"), the City is required to report waste discharges that could affect water quality. The Porter-Cologne Act is administered and enforced by the State Water Resources Control Board and Regional Water Quality Control Boards (RWQCB). An application for a revised stormwater permit for the Napa MDF, including the covered composting system and stormwater improvements expected to be funded with a portion of the proceeds of the Bonds has been submitted to the RWQCB and permit issuance is expected by the spring of 2017.

AB 32, the California Global Warming Solutions Act of 2006, requires California to reduce its greenhouse gas emissions to 1990 levels by 2020; a reduction of approximately 15% below emissions expected under a "business as usual" scenario. Pursuant to AB 32, the State Air Resources Board (ARB) must adopt regulations to achieve the maximum technologically feasible and cost-effective GHG emission reductions. The Napa MDF falls within the jurisdiction of the Bay Area Air Quality Management District (BAAQMD), which is the regional agency reporting to the State Air Resources Control Board. The BAAQMD is charged with enforcing state law and with promulgating and enforcing regulations to achieve federal and state clean air

requirements. A revised permit application for the Napa MDF that includes the covered composting system and stormwater improvements has been submitted to the BAAQMD and permit issuance is expected by the end of calendar year 2016.

## RISK FACTORS

*The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Bonds, and the order in which the risks are described does not necessarily reflect the relative importance of the various risks.*

### Limited Obligations

Payment of principal of and interest on the Bonds depends upon the City's receipt of Revenues. The Bonds are limited obligations of the City and are not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Revenues. The obligation of the City to pay debt service on the Bonds from Revenues does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

### Rate Covenant Not a Guarantee; Sufficiency of Revenues

**Rate Covenant Not a Guarantee.** The City's rate covenant does not constitute a guarantee that sufficient Net Revenues will be available to pay debt service on the Bonds. In addition, see "Proposition 218" below for information regarding potential limitations on the City's ability to comply with the rate covenant as a consequence of Proposition 218.

**Sufficiency of Revenues.** There can be no assurance that the City, or its contractors, can succeed in operating the Solid Waste Enterprise System such that the Net Revenues in the future amounts projected in this Official Statement will be realized. Specifically, there can be no assurance that local demand for the services of the Solid Waste Enterprise System will be maintained at the levels described in this Official Statement, or that the assumptions used to project demand for refuse collection services will be realized in the future.

In addition, there can be no assurance that the costs of maintaining and operating the Solid Waste Enterprise System will be consistent with the levels described in this Official Statement, or that the assumptions used to project these costs will be realized in the future. There can be no assurance that changes in regulatory requirements, changes in technology, increased energy costs, change in the waste stream, or other factors will not increase the costs of maintaining and operating the Solid Waste Enterprise System with a resulting decrease in Net Revenues.

Reductions in the level of revenue could require an increase in rates and charges in order to produce Net Revenues sufficient to comply with the City's rate covenant contained in the Indenture, and any such increases could act to further decrease demand.

### Limitations on Remedies and Limited Recourse on Default

The remedies available to the owners of the Bonds upon the occurrence of an event of default under the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on remedies contained in the Indenture, the rights and obligations under the Indenture may be subject to bankruptcy, insolvency, reorganization,

fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State of California. The opinion to be delivered by Bond Counsel concurrently with the issuance of the Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the Bonds will be similarly qualified. See "APPENDIX F – PROPOSED FORM OF BOND COUNSEL OPINION."

If the City fails to comply with its covenants under the Indenture or fails to pay principal of and interest due on the Bonds, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the Bonds. See "–Bankruptcy" below.

### **Selection of a New Contractor**

If the City were to fail to find a satisfactory service provider to replace any Operator following the expiration of the applicable contract, or if it were to fail to find a replacement service provider at a satisfactory price, the City's ability to manage and operate the Solid Waste Enterprise System could be adversely impacted, which could adversely impact the City's ability to pay debt service on the Bonds. See "THE SOLID WASTE ENTERPRISE SYSTEM – The Operator and its Contract with the City; Collection of Municipal Solid Waste (MSW), Recyclable Materials and Compostables."

### **Competition**

The Net Revenues could be adversely impacted if the City were to face competition in the collection, recycling or disposal of solid waste within its service area.

However, the City's municipal code (with limited exceptions, see "SECURITY FOR THE BONDS – Flow Control") obligates residents and businesses in the City to use the City's solid waste collection services, and obligates residents and businesses to pay the rates established by the City.

The Napa-Vallejo Waste Management Authority, meanwhile, has agreed not to offer any recycling services provided by the City as part of the Solid Waste Enterprise System, without the City's consent. There are currently no large, independent companies offering competitive recycling services.

### **Use of Bond Proceeds; Financial Projections**

Although the City anticipates using the proceeds of the Bonds to fund the improvements to the Napa MDF described above under "THE SOLID WASTE ENTERPRISE SYSTEM – Capital Improvement Program," the City has not entered into a construction contract for those improvements, and no assurance can be given that such a contract will be entered into in a timely manner, if at all. If for any reason the City chooses not to fund these improvements, the Indenture permits moneys in the Improvement Fund held by the Trustee under the Indenture to be used for any addition, extension, improvement, equipment, machinery or other facilities to or for the Solid Waste Enterprise System.

The projections regarding future revenues, expenses and debt service coverage in Table 13 assume that the Covered Composting System/CASP and stormwater improvements to the Napa MDF are completed on the anticipated schedule set forth in this Official Statement. The

CASP and stormwater upgrades must be constructed and installed in a timely manner to assure permit compliance (solid waste, air and water) for the Napa MDF in a timely manner. Accordingly, if these improvements are not constructed on such schedule or not at all, actual revenues and debt service coverage may be materially adversely different from the projections set forth in Table 13.

### **Seismic and Environmental Considerations**

The City is located in a seismically active area of California. If there were to be an occurrence of severe seismic activity in the area of the City, there could be an interruption in the service provided by the Solid Waste Enterprise System, resulting in a temporary reduction in the amount of Net Revenues available to pay debt service when due on the Bonds.

On August 24, 2014, a magnitude 6.0 earthquake struck the South Napa Fault, causing damage throughout the City, although the impact on the Solid Waste Enterprise System was less severe than on other buildings and facilities in the City.

Other environmental conditions, such as flooding, landslides or wildfires, could affect or interrupt the service provided by the Solid Waste Enterprise System, resulting in a temporary reduction in the amount of Net Revenues available to pay debt service when due on the Bonds.

### **Environmental Regulation**

The City has identified some of the existing and potential environmental issues which could affect the Solid Waste Enterprise System. See "SOLID WASTE REGULATIONS" for brief discussions of some of these issues.

### **Proposition 218**

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

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

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

service unless that service is actually used by, or is immediately available to, the owner of the property in question.

In addition, Article XIIC states that “the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives.”

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

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

## Bankruptcy

In addition to the limitations on remedies contained in the Indenture, the rights and remedies of Bondholders may be limited and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors’ rights generally.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code) (the “Bankruptcy Code”), which governs bankruptcy proceedings of public entities such as the City, no involuntary bankruptcy petition may be filed against a public entity. However, upon satisfaction of certain prerequisite conditions, a voluntary bankruptcy petition may be filed by the City. The filing of a bankruptcy petition results in a stay against enforcement of certain remedies under agreements to which the bankrupt entity is a party. A bankruptcy filing by the City could thus limit remedies under the Indenture. A bankruptcy debtor may choose to assume or reject certain executory contracts. In the event of rejection of an executory contract by a debtor, the counter-party has a claim for a limited amount of the resulting damages.

Under the Indenture, the Trustee holds a security interest in the Net Revenues and other the funds pledged under the Indenture for the benefit of the Owners of the Bonds, but such security interest arises only when the revenues are actually received by the Trustee following payment by the City. The Solid Waste Enterprise System itself is not subject to a security interest, mortgage or any other lien in favor of the Trustee for the benefit of Owners. In the event of a bankruptcy filed by the City and non-payment of Owners of the Bonds by the City, Bond Owners would have a claim for damages against the City. Such claim would constitute a secured claim only to the extent of revenues in the possession of the Trustee pledged to the payment to Owners of the Bonds; the balance of such claim would be unsecured.

In a bankruptcy of the City, if a material unpaid liability is owed to PERS or any other pension system (collectively the “Pension Systems”) on the filing date, or accrues thereafter, such circumstances could create additional uncertainty as to the City’s ability to make debt payments. Given that municipal pension systems in the State are usually administered pursuant to state constitutional provisions and, as applicable, other State and/or city or county law, the Pension Systems may take the position, among other possible arguments, that their claims enjoy a higher priority than all other claims, that Pension Systems have the right to enforce payment by injunction or other proceedings outside of a City bankruptcy case, and that Pension System claims cannot be the subject of adjustment or other impairment under the Bankruptcy Code because that would purportedly constitute a violation of state statutory, constitutional and/or municipal law. It is uncertain how a bankruptcy judge in a City bankruptcy would rule on these matters. In addition, this area of law is presently very unsettled because issues of pension underfunding claim priority, pension contribution enforcement, and related bankruptcy plan treatment of such claims (among other pension-related matters) are presently the subject of litigation in the Chapter 9 cases of several California municipalities, including the cities of Stockton and San Bernardino.

### **Possible Future Initiatives**

In recent years several initiative measures other than Proposition 218 have been proposed or adopted which affect the ability of local governments to increase taxes, rates, and property-related fees and charges. There is no assurance that the electorate or the State Legislature will not at some future time approve additional limitations that could affect the ability of the City to implement rate increases for the Solid Waste Enterprise System, which could reduce Net Revenues and the City’s ability to pay debt service on the Bonds, and could adversely affect the security for the Bonds.

### **Secondary Market for Bonds**

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



## LEGAL MATTERS

### Tax Matters

The interest on the Bonds is not intended by the City to be excluded from gross income for federal income tax purposes. However, in the opinion of Jones Hall, A Professional Law Corporation ("Bond Counsel"), San Francisco, California, interest on the Bonds is exempt from California personal income taxes. The proposed form of opinion of Bond Counsel with respect to the Bonds to be delivered on the date of issuance of the Bonds is set forth in APPENDIX F.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel express no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

### Certain Legal Matters

Jones Hall, A Professional Law Corporation, Bond Counsel, will render an opinion with respect to the validity of the Bonds, the form of which opinion is set forth in APPENDIX F. Certain legal matters will also be passed upon for the City by Jones Hall, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the office of the City Attorney.

### Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Bonds. The City is not aware of any litigation pending or threatened questioning the political existence of the City or contesting the City's power to fix rates and charges for the Solid Waste Enterprise System, or the power of the City Council or in any way questioning or affecting:

- (i) the proceedings under which the Bonds are to be issued;
- (ii) the validity of any provision of the Bonds or the Indenture;
- (iii) the pledge of Net Revenues by the City under the Indenture; or
- (iv) the titles to office of the present members of the City Council.

There are a number of suits and claims pending against the City, which may include personal injury, wrongful death and other suits and claims against which the City may self-insure. The aggregate amount of the self-insured liabilities of the City which may result from such suits and claims will not, in the opinion of the City, materially impair the ability of the City to pay principal of or interest on the Bonds as the same become due.

There is no litigation pending, with service of process having been accomplished, against the City which if determined adversely to the City would, in the opinion of the City, materially impair the ability of the City to pay principal of and interest on the Bonds as they become due.

## CONTINUING DISCLOSURE

The City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City and the Solid Waste Enterprise System by not later than 9 months after the end of the City's fiscal year, or March 31 of each year (based on the City's current fiscal year-end of June 30), commencing March 31, 2017, with the report for the 2015/16 fiscal year (the "**Annual Report**") and to provide notices of the occurrence of certain listed events. The Annual Report and listed event notices will be filed with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("**EMMA**").

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of listed events by the City is set forth in APPENDIX D.

The City and certain related entities previously entered into certain disclosure undertakings under the Rule in connection with the issuance of long-term obligations. During the past five years, the City and such related entities have, in some instances, failed to comply in all material respect with their undertakings. The City and such related entities remediated many instances of historical non-compliance in a series of filings made in anticipation of the issuance of two series of tax allocation refunding bonds in late 2014.

Specific instances of non-compliance with continuing disclosure undertakings by the City and its related entities in the past five years are as follows:

- (i) with respect to the 2007 Bonds, audited financial statements and financial and operating data for the fiscal years ended June 30, 2011, 2012, 2013 and 2014 were filed up to 34 months late;
- (ii) with respect to the City's 2004 Solid Waste Revenue Bonds, audited financial statements and financial and operating data for the fiscal year ended June 30, 2012 were filed approximately 3 months late;
- (iii) with respect to the Napa Community Redevelopment Agency Parkway Plaza Redevelopment Project 2003 Tax Allocation Bonds, Series A, the Napa Community Redevelopment Agency 2003 Tax Allocation Bonds, Series B (Federally Taxable) (Housing Tax Revenues), and the Napa Community Redevelopment Agency 2003 Tax Allocation Refunding Bonds, Series C (Housing Tax Revenues), audited financial statements and financial and operating data for the fiscal years ended June 30, 2011, 2012 and 2013 were filed up to 32 months late; and
- (iv) the City and its related entities did not always timely file event notices regarding changes to the underlying ratings and/or insured ratings of certain of its bonds.

The City and its related entities have corrected past deficiencies and as of the date hereof, to the best of the City's knowledge, the City and its related entities have filed all required annual reports and notices of rating changes for its currently outstanding debt obligations.

The City has engaged NHA Advisors, LLC, to act as dissemination agent and to serve in an oversight capacity to aid in compliance with the City's undertakings under the Rule with respect to its outstanding debt obligations and the Bonds.

In addition, in connection with the designation of the Bonds as “Green Bonds,” the City has agreed to file periodic updates regarding the expenditure of Bond proceeds on capital projects with the EMMA system. These filings are not part of the City’s continuing disclosure undertaking under the Rule, but may be included in the City’s Annual Report.

## RATINGS

It is expected that, at closing, S&P Global Ratings (“S&P”) will assign the Bonds a rating of “\_\_\_” conditioned upon the issuance of the Bond Insurance Policy. In addition, S&P has assigned the Bonds an underlying rating of “\_\_\_.”

These ratings reflect only the views of S&P, and an explanation of the significance of these ratings, and any outlook assigned to or associated with these ratings, should be obtained from S&P.

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

There is no assurance that these ratings will continue for any given period of time or that these ratings will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of any rating on the Bonds may have an adverse effect on the market price or marketability of the Bonds.

## UNDERWRITING

Raymond James & Associates, Inc., the Underwriter of the Bonds (the “**Underwriter**”), has agreed to purchase the Bonds from the City at a purchase price of \$\_\_\_\_\_ (being an amount equal to the principal amount of the Bonds (\$\_\_\_\_\_), less an original issue discount of \$\_\_\_\_\_, less an underwriter’s discount of \$\_\_\_\_\_).

The purchase contract under which the Underwriter is purchasing the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the contract of purchase.

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

## MUNICIPAL ADVISOR

The City has retained NHA Advisors, LLC, San Rafael, California, as its Municipal Advisor (the “**Municipal Advisor**”) in connection with the authorization and delivery of the Bonds. The Municipal Advisor assumes no responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax

status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

### **PROFESSIONAL FEES**

In connection with the issuance of the Bonds, fees payable to the following professionals involved in the offering are contingent upon the issuance and delivery of the Bonds: Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel; NHA Advisors, as Municipal Advisor to the City; and The Bank of New York Mellon Trust Company, N.A., as Trustee.

### **EXECUTION**

The execution of this Official Statement and its delivery have been authorized by the City Council of the City.

CITY OF NAPA

By: \_\_\_\_\_

Title: \_\_\_\_\_ Finance Director

## APPENDIX A

### GENERAL INFORMATION ABOUT THE CITY OF NAPA AND NAPA COUNTY

*The following information concerning the City of Napa and surrounding areas is included only for the purpose of supplying general information regarding the community. The Bonds are not a debt of the City, County, the State or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.*

#### General

**The City of Napa.** The City, located 52 miles northeast of San Francisco and 61 miles west of Sacramento at the southern end of the Napa Valley, is a light industrial, commercial, residential, and government center. The Napa area which includes the Napa Valley is rich in agricultural resources. The City encompasses 18.43 square miles in south central Napa County. The City provides a full range of urban services in support of a growing community.

As the government seat and the largest city in the County, the City of Napa is the location of government offices and other professional services such as attorneys, architects, financial institutions, graphic design and marketing firms, and real estate and insurance companies. Manufacturing is diversified; major products include wine and wine production items such as packaging, labels, bottles, corks, screw cap closures, and barrels; building materials; specialty foods such as grape and olive oils, purees, and baked products; apparel; and beverages and distilled spirits.

**The County of Napa.** Napa County (the “County”), located in northern California about fifty miles northeast of San Francisco, was incorporated in 1850 as one of the original 27 California counties. The County encompasses an area of approximately 794 square miles and includes five incorporated cities and towns. The County is bordered on the west by Sonoma County, on the northeast by Yolo County, on the north by Lake County, and on the southeast by Solano County. Napa County is characterized by northwest to southeast mountain ranges and valleys where it experiences various microclimates, contributing to the quality and diversity of wine grape production. The Napa River starts at the northern part of the Napa Valley and travels 55 miles south through the City where it enters the Mare Island Strait at the north end of San Pablo Bay. The topography is also marked by Lake Berryessa, an approximately 25-mile long, man-made lake in the northeastern part of the County, and Mount St. Helena, approximately 4,444 feet high, to the northwest.

#### Municipal Government

The City was incorporated in 1872 and operates under a council/manager form of government. All municipal departments operate under the supervision of the City Manager. The City Council consists of a Mayor elected at large for a four-year term and four other Council members elected at large for overlapping four-year terms.

## Population

As of January 1, 2016 the County's population was approximately 142,028. The historic population estimates for the County and cities within the County as of January 1 of the years 2012 through 2016 are listed below.

### CITY OF NAPA AND NAPA COUNTY Population Estimates As of January 1

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
American Canyon	19,795	19,954	20,177	20,245	20,374
Calistoga	5,115	5,029	5,056	5,050	5,180
<b>Napa</b>	<b>77,933</b>	<b>78,663</b>	<b>79,516</b>	<b>79,940</b>	<b>80,576</b>
St. Helena	5,800	5,755	5,852	5,931	6,004
Yountville	2,976	2,941	2,977	2,961	2,987
Unincorporated	26,455	26,502	26,676	26,771	26,907
Total County	138,074	138,844	140,254	140,898	142,028

Source: California State Department of Finance.

## Personal Income

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

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2011 through 2015.

### CITY OF NAPA AND NAPA COUNTY Effective Buying Income 2011 through 2015

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2011	City of Napa	\$1,779,668	\$48,892
	Napa County	3,453,650	51,788
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	City of Napa	\$1,832,833	\$48,433
	Napa County	3,652,663	52,115

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
	California	864,088,828	47,307
	United States	6,737,867,730	41,358
2013	City of Napa	\$1,869,855	\$48,932
	Napa County	3,631,706	53,714
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	City of Napa	\$1,959,398	\$53,760
	Napa County	3,778,813	58,481
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2015	City of Napa	\$2,103,535	\$55,501
	Napa County	4,095,765	60,842
	California	981,231,666	53,589
	United States	7,757,960,399	46,738

*Source: Sales & Marketing Management Survey of Buying Power.*

### Commercial Activity

Total taxable sales during the first three quarters of calendar year 2014 in the City were reported to be \$963,738,000, a 5.6% increase over the total taxable sales of \$909,618,000 reported during the first three calendar year 2013. Annual figures for calendar year 2014 are not yet available.

#### CITY OF NAPA Taxable Retail Sales Number of Permits and Valuation of Taxable Transactions (Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Numbers of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2009	1,450	\$817,811	2,393	\$971,174
2010	1,455	848,200	2,409	992,329
2011	1,479	908,482	2,407	1,062,733
2012	1,561	968,384	2,496	1,140,469
2013	1,669	1,025,907	2,617	1,237,833

(1) *Retail Stores data not comparable to prior years.*  
*Source: California State Board of Equalization*

Total taxable sales during the first three quarters of calendar year 2014 in the County were reported to be \$2.3 billion, an 6.72% increase over the total taxable sales of \$2.1 billion reported during the first three quarters of calendar year 2013. Annual figures for calendar year 2014 are not yet available.

**NAPA COUNTY**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**(Dollars in Thousands)**

	<b>Retail Stores</b>		<b>Total All Outlets</b>	
	<b>Numbers of Permits</b>	<b>Taxable Transactions</b>	<b>Number of Permits</b>	<b>Taxable Transactions</b>
2009	2,673	\$1,325,300	4,992	\$2,216,283
2010	2,752	1,383,036	5,148	2,301,907
2011	2,840	1,500,810	5,245	2,494,845
2012	3,039	1,612,489	5,516	2,718,679
2013	3,250	1,755,049	5,780	2,935,274

(1) *Retail Stores data not comparable to prior years.*  
Source: *California State Board of Equalization*



## Principal Employers

The following table shows the principal employers in the City, as shown in the City's Comprehensive Annual Financial Report for fiscal year ending June 30, 2015.

### CITY OF NAPA Principal Employers 2015

Employer	Number of Employees	Percent of Total Employment
Napa Valley Unified School District	1,900	5.16%
Queen of the Valley Medical Center	1,365	3.71
County of Napa	1,248	3.39
City of Napa	458	1.24
Target	292	0.79
Napa Valley College	290	0.79
Walmart Supercenter	275	0.75
Kohl's Department Store	200	0.54
Meritage Resort and Spa	190	0.52
Kaiser Permanente	180	0.49
Marriott-Napa Valley	165	0.45
Coldwell Banker Brokers of the Valley	159	0.43
Aldea Children and Family Services	150	0.41
Regulus Integrated Services	150	0.41
The Meadows of Napa Valley Assisted Living	150	0.41
Whole Foods	150	0.41

Source: City of Napa Comprehensive Annual Financial Report

The County's economy has always had a strong agricultural base, and has a substantial presence in the wine industry. The major employers in the County as of July 2016 are shown below, in alphabetical order.

**COUNTY OF NAPA**  
**Major Employers**  
**July 2016**

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Auberge Du Soleil	Rutherford	Hotels & Motels
Domaine Chandon	Yountville	Wineries (Mfrs)
Health & Human Svc Agency	Napa	Government Offices-County
Marriott-Napa Valley & Spa	Napa	Resorts
Meritage Resort & Spa	Napa	Resorts
Napa County & Community School	Napa	Schools
Napa County Children's Ctr	Napa	Schools
Napa Valley College	Napa	Schools-Universities & Colleges Academic
Owens Corning	Napa (unincorporated)	Building Materials-Manufacturers
Pacific Union College Ltd	Angwin	Schools-Universities & Colleges Academic
Pavilion-Vintage Estate	Yountville	Wedding Chapels
Queen of the Valley Med Ctr	Napa	Hospitals
Robert Mondavi Winery	Oakville	Wineries (mfrs)
Silverado Resort & Spa	Napa (unincorporated)	Resorts
Stone Bridge Cellars Inc	Saint Helena	Wineries (Mfrs)
Sutter Home Winery	Saint Helena	Exporters (Whls)
Syar Industries Inc	Napa (unincorporated)	Manufacturers
Treasury Wine Estates	Saint Helena	Wineries (Mfrs)
Trinchero Family Estates	Saint Helena	Wineries (Mfrs)
Universal Protection Svc	Napa (unincorporated)	Security Guard & Patrol Service
Veterans Home	Yountville	Veterans' & Military Organizations
Veterans Home of Ca	Yountville	Government Offices-State
Walmart Supercenter	American Canyon	Department Stores
Walmart Supercenter	Napa	Department Stores
Yolano Engineers Inc	Napa (unincorporated)	Surveyors-Land

Source: State of California Employment Development Department.

## Employment and Industry

The unemployment rate in the County was 4.2% in June 2016, up from a revised 3.4% in May 2016, and unchanged from the year-ago estimate of 4.2%. This compares with an unadjusted unemployment rate of 5.7% for California and 5.1% for the nation during the same period.

The table below provides information about employment rates and employment by industry type for the County for calendar years 2011 through 2015.

**NAPA COUNTY**  
**Annual Average Civilian Labor Force, Employment and Unemployment,**  
**Employment by Industry**

	2011	2012	2013	2014	2015
Civilian Labor Force <sup>(1)</sup>	70,800	71,900	73,000	73,800	74,800
	63,800				
Employment	0	65,900	67,900	69,700	71,300
Unemployment	6,900	6,100	5,100	4,200	3,400
Unemployment Rate	9.8%	8.4%	6.9%	5.6%	4.6%
<u>Wage and Salary Employment<sup>(2)</sup></u>					
Agriculture	4,800	4,800	5,000	4,900	5,200
Logging, Mining, Construction	2,500	2,700	3,200	3,700	4,200
Manufacturing	10,900	11,200	11,600	12,100	12,100
Wholesale Trade	1,400	1,500	1,600	1,600	1,700
Retail Trade	5,700	5,900	6,100	6,300	6,400
Transportation, Warehousing and					
Utilities	1,600	1,800	1,900	2,000	2,000
Information	600	500	500	500	500
Financial Activities	2,300	2,300	2,200	2,300	2,400
Professional and Business					
Services	5,500	6,100	6,500	6,600	7,000
Educational and Health Services	9,100	9,400	9,700	9,900	9,700
Leisure and Hospitality	10,000	10,700	11,300	11,900	12,700
Other Services	9,300	9,900	10,500	11,100	11,900
Federal Government	5,500	5,700	6,100	6,600	7,000
State Government	1,900	1,900	2,000	2,000	2,000
Local Government	10,100	9,900	10,000	10,000	10,200
Total, All Industries <sup>(3)</sup>	66,300	68,500	71,500	73,700	76,000

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

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

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

**Construction Trends**

Provided below are the building permits and valuations for the City and the County for calendar years 2011 through 2015.

<b>CITY OF NAPA</b>					
<b>Total Building Permit Valuations</b>					
<b>(Valuations In Thousands)</b>					
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<u>Permit Valuation:</u>					
New Single-family	\$14,711.3	\$15,688.3	\$12,102.6	\$7,362.8	\$26,798.9
New Multi-family	1,582.4	1,316.8	12,573.5	5,856.9	0.0
Res. Alterations/Additions	8,151.2	6,845.3	9,821.5	15,823.8	21,551.9
Total Residential	24,444.9	23,850.4	34,497.6	29,043.5	48,350.8
 New Commercial	1,826.4	7,890.0	8,039.0	9,240.4	30,910.1
New Industrial	0.0	145.0	0.0	0.0	0.0
New Other	0.0	5,751.4	2,733.4	2,458.1	7,919.8
Com. Alterations/Additions	57,77.6	15,810.7	15,640.5	18,447.1	19,555.1
Total Nonresidential	1,961.0	29,597.1	26,412.9	30,145.6	58,385.0
 <u>New Dwelling Units:</u>					
Single Family	58	61	45	32	95
Multiple Family	26	8	136	49	0
TOTAL	84	69	181	81	95

Source: Construction Industry Research Board, Building Permit Summary.

<b>NAPA COUNTY</b>					
<b>Total Building Permit Valuations</b>					
<b>(Valuations In Thousands)</b>					
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<u>Permit Valuation:</u>					
New Single-family	\$54,267.2	\$54,758.7	\$50,896.3	\$57,465.4	\$71,130.4
New Multi-family	1,582.4	3,166.5	13,249.1	5,856.9	22,574.3
Res. Alterations/Additions	45,584.2	30,327.6	46,742.1	55,325.6	53,613.1
Total Residential	101,433.8	88,252.8	110,887.5	118,647.9	147,317.8
 New Commercial	18,591.4	17,407.7	80,937.9	78,720.7	89,165.6
New Industrial	16,410.5	180.0	12,703.9	28,966.4	7,264.1
New Other	5,758.4	5,751.4	14,472.0	19,434.7	22,242.7
Com. Alterations/Additions	79,594.7	29,936.2	43,548.3	40,595.2	51,732.5
Total Nonresidential	120,355.0	53,275.3	151,662.2	167,717.0	170,404.9
 <u>New Dwelling Units:</u>					
Single Family	128	133	97	103	141
Multiple Family	26	20	140	49	148
TOTAL	154	153	237	152	289

Source: Construction Industry Research Board, Building Permit Summary.

**Education**

Public instruction in the County is provided by one elementary school district and four unified (combined elementary and high school) districts. The largest district, Napa Valley Unified School District, has approximately 16,000 students enrolled. The Napa Valley College and the Pacific Union College are also located within the County.

**Transportation**

The transportation network includes publicly operated systems as well as private enterprise systems within the cities. A privately owned airporter service operates seven days a week from St. Helena, Napa and Vallejo to San Francisco International Airport. There is also a County owned and operated airport. This aviation facility serves privately owned aircraft and provides facilities for a large pilot training program for Japan Airlines. There are two privately owned and operated general aviation facilities in the County.

**APPENDIX B**

**EXCERPTS FROM THE AUDITED FINANCIAL STATEMENTS OF THE CITY OF  
NAPA**

**APPENDIX C**  
**SUMMARY OF THE INDENTURE**

## APPENDIX D

## FORM OF CONTINUING DISCLOSURE CERTIFICATE

City of Napa

\$ \_\_\_\_\_

**Solid Waste Revenue Bonds,  
Series 2016 (Federally Taxable)  
(Napa Materials Diversion Facility)  
(Green Bonds)**

This Continuing Disclosure Certificate (this “**Disclosure Certificate**”) is executed and delivered by the City of Napa (the “**City**”) in connection with the issuance of the solid waste revenue bonds captioned above (the “**Bonds**”). The Bonds are being issued pursuant to an Indenture of Trust dated as of October 1, 2016 (the “**Indenture**”) by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”). The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Rule.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4.

“*Annual Report Date*” means the date that is nine months after the end of the City’s fiscal year (currently March 31 based on the City’s fiscal year end of June 30).

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

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

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

“*Official Statement*” means the final official statement dated \_\_\_\_\_, 2016, executed by the City in connection with the issuance of the Bonds.

“*Participating Underwriter*” means Raymond James & Associates, Inc., as the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.



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

### Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2017, with the report for the 2015-16 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

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

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

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

(a) Audited Financial Statements of the City prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed under the preceding clause (a), the Annual Report shall contain information showing the following information for the most recently completed fiscal year:

(i) Financial schedules of the Solid Waste Enterprise System showing (1) revenues and expenses of the Solid Waste Enterprise System, (2) debt service secured by or payable from Revenues (including but not limited to the Bonds), and (3) resulting debt service coverage, in substantially the form of Table 12 of the Official Statement.

(ii) For the most recently completed Calendar Year, the volume of Solid Waste (including Refuse, Solid Waste Recyclables and Green Waste) collected by the operator of the Solid Waste Enterprise System, in substantially the form of Table 1 of the Official Statement.

(iii) For the current Calendar Year, representative residential and commercial rates, and amount of decrease or increase (if any) from the previous year's rates, in substantially the form of Table 2 and Table 3 of the Official Statement.

(iv) For the current Fiscal Year, the Transfer Facility tipping fee charged by the Napa-Vallejo Waste Management Authority, if the tipping fee was changed for such Fiscal Year.

(v) For the most recently completed Fiscal Year, a summary of delinquency rates for all customers, in substantially the form of Table 6 of the Official Statement.

(vi) The balance of the Rate Stabilization Account as of the last day of the most recently completed Fiscal Year.

(vii) For the most recently completed Calendar Year, the number of customers and amount of revenue by account type, in substantially the form of Table 7 of the Official Statement.

(viii) For the most recently completed Calendar Year, a list of the 10 largest customers of the Solid Waste Enterprise System, in substantially the form of Table 9 of the Official Statement.

(ix) For any Fiscal Year in which Parity Debt is issued, (A) the principal amount of the Parity Debt, (B) a debt service schedule for the Parity Debt and (C) a statement of the amount of Net Revenues for the latest Fiscal Year and Maximum Annual Debt Service that complies with the Indenture.

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

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

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, and, if the Listed Event is described in subsections (a)(2), (a)(6), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13) or (a)(14) above, the City determines that knowledge of the occurrence of that Listed Event would be material under applicable Federal securities law, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under

this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

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

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

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

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

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

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

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to

investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

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

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

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent (if other than the City), the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: \_\_\_\_\_, 2016

CITY OF NAPA

By \_\_\_\_\_  
\_\_\_\_\_

AGREED AND ACCEPTED

NHA Advisors, LLC, as Dissemination Agent

By \_\_\_\_\_  
Authorized Representative

## EXHIBIT A

## NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Napa

Name of Issue: \$\_\_\_\_\_ City of Napa Solid Waste Revenue Bonds, Series 2016  
(Federally Taxable) (Napa Materials Diversion Facility) (Green Bonds)

Date of Issuance: \_\_\_\_\_, 2016

NOTICE IS HEREBY GIVEN that the City of Napa has not provided an Annual Report with respect to the above-named bonds as required by the Continuing Disclosure Certificate dated as of \_\_\_\_\_, 2016, executed by the City of Napa. The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated:\_\_\_\_\_

CITY OF NAPA

By\_\_\_\_\_

Name:

Title:

## APPENDIX E

## DTC AND THE BOOK-ENTRY ONLY SYSTEM

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

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

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

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

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



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

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

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

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

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

**APPENDIX F**  
**PROPOSED FORM OF BOND COUNSEL OPINION**

**APPENDIX G**  
**SPECIMEN BOND INSURANCE POLICY**

## APPENDIX H

## FORM OF GREEN BOND PROJECT REPORT

City of Napa

\$ \_\_\_\_\_

**Solid Waste Revenue Bonds,  
Series 2016 (Federally Taxable)  
(Napa Materials Diversion Facility)  
(Green Bonds)**

Date of issuance: \_\_\_\_\_, 2016

CUSIP: \_\_\_\_\_

NOTICE IS HEREBY GIVEN, that the City of Napa has financed the following project with the above-referenced bonds (the "Bonds"):

Amount Financed	Project Description
\$	

This notice is to provide interested parties with information regarding the use of proceeds of the Bonds. [ Once all proceeds of the Bonds have been spent, no further updates will be provided. ] [ All proceeds of the Bonds have been spent; no further updates on the projects or the use of the Bonds will be provided. ]

Dated: \_\_\_\_\_



## FORM OF CONTINUING DISCLOSURE CERTIFICATE

City of Napa  
\$ \_\_\_\_\_  
**Solid Waste Revenue Bonds,  
Series 2016 (Federally Taxable)  
(Napa Materials Diversion Facility)  
(Green Bonds)**

This Continuing Disclosure Certificate (this “**Disclosure Certificate**”) is executed and delivered by the City of Napa (the “**City**”) in connection with the issuance of the solid waste revenue bonds captioned above (the “**Bonds**”). The Bonds are being issued pursuant to an Indenture of Trust dated as of September 1, 2016 (the “**Indenture**”) by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”). The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the 2016 Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Rule.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4.

“*Annual Report Date*” means the date that is nine months after the end of the City’s fiscal year (currently March 31 based on the City’s fiscal year end of June 30).

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

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

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

“*Official Statement*” means the final official statement dated \_\_\_\_\_, 2016, executed by the City in connection with the issuance of the Bonds.

“*Participating Underwriter*” means Raymond James & Associates, Inc., as the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

### Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2017, with the report for the 2015-16 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

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

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

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

(a) Audited Financial Statements of the City prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.



(b) To the extent not contained in the audited financial statements filed under the preceding clause (a), the Annual Report shall contain information showing the following information for the most recently completed fiscal year:

(i) financial schedules of the Solid Waste Enterprise System showing revenues and expenses of the Solid Waste Enterprise System (including, at a minimum, Charges billed and collected during the most recently-completed Rate Year, payments (if any) to the City's contractor(s) to operate the Solid Waste Enterprise System, any operating expenses borne by the City, and debt service secured by or payable from Revenues, including but not limited to the Bonds).

(ii) For the most recently-completed Rate Year, the volume of Solid Waste (including Refuse, Solid Waste Recyclables and Green Waste) collected by the operator of the Solid Waste Enterprise System in substantially the form of Table \_\_\_ of the Official Statement.

(iii) For the current Rate Year, representative residential and commercial rates, and amount of decrease or increase (if any) from the previous year's rates, in substantially the form of Table \_\_\_ of the Official Statement.

(iv) For the current Rate Year, the Transfer Facility tipping fee charged by the Napa-Vallejo Waste Management Authority, if the tipping fee was changed for such Rate Year.

(v) For the most recently-completed Rate Year, collection rates for all customer classes, in substantially the form of Table \_\_\_ of the Official Statement, but only if the delinquency rate for any such class of customers for such Rate Year was in excess of 1%.

(vi) The balance of the Rate Stabilization Account as of the last day of the most recently-completed Rate Year.

(vii) For the most recently-completed Rate Year, the number of customers and amount of revenue by account type, in substantially the form of Table \_\_\_ of the Official Statement.

(viii) For the most recently-completed Rate Year, a list of each customer of the Solid Waste Enterprise System responsible for more than 2 % of the Charges.

(ix) For any Rate Year in which Parity Debt is issued, (A) the principal amount of the Parity Debt, (B) a debt service schedule for the Parity Debt and (C) a statement of the amount of Net Revenues for the latest Fiscal Year and Maximum Annual Debt Service that complies with the Indenture.

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

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities,

which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, and, if the Listed Event is described in subsections (a)(2), (a)(6), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13) or (a)(14) above, the City determines that knowledge of the occurrence of that Listed Event would be material under applicable Federal securities law, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the

MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

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

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

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

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

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

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

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the

basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

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

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

**Section 12. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent (if other than the City), the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: \_\_\_\_\_, 2016

CITY OF NAPA

By \_\_\_\_\_  
\_\_\_\_\_

AGREED AND ACCEPTED

NHA Advisors, LLC, as Dissemination Agent

By \_\_\_\_\_  
Authorized Representative



## SOURCES AND USES OF FUNDS

City of Napa  
Solid Waste Revenue Bonds, Series 2016  
Numbers for Credit Presentation (DSRF Surety)  
Current Rates + 20 bps as of August 30, 2016

Dated Date 10/20/2016  
Delivery Date 10/20/2016

## Sources:

Bond Proceeds:	
Par Amount	11,350,000.00
	11,350,000.00

## Uses:

Project Fund Deposits:	
Project Fund	11,000,000.00
Delivery Date Expenses:	
Cost of Issuance	180,000.00
Underwriter's Discount	61,481.18
Bond Insurance (50 bps)	80,911.48
DSRF Surety (300 bps)	25,146.09
	347,538.75
Other Uses of Funds:	
Additional Proceeds	2,461.25
	11,350,000.00

## BOND SUMMARY STATISTICS

City of Napa  
Solid Waste Revenue Bonds, Series 2016  
Numbers for Credit Presentation (DSRF Surety)  
Current Rates + 20 bps as of August 30, 2016

Dated Date	10/20/2016
Delivery Date	10/20/2016
Last Maturity	08/01/2036
Arbitrage Yield	3.692404%
True Interest Cost (TIC)	3.649474%
Net Interest Cost (NIC)	3.675544%
All-In TIC	3.929198%
Average Coupon	3.629368%
Average Life (years)	11.731
Duration of Issue (years)	9.392
Par Amount	11,350,000.00
Bond Proceeds	11,350,000.00
Total Interest	4,832,296.36
Net Interest	4,893,777.54
Total Debt Service	16,182,296.36
Maximum Annual Debt Service	838,203.00
Average Annual Debt Service	818,091.10
Underwriter's Fees (per \$1000)	
Average Takedown	4.000000
Other Fee	1.416844
Total Underwriter's Discount	5.416844
Bid Price	99.458316

Bond Component	Par Value	Price	Average Coupon	Average Life
Serial Bonds	4,535,000.00	100.000	2.628%	5.931
Term 2031 Bonds	3,090,000.00	100.000	3.720%	12.853
Term 2036 Bonds	3,725,000.00	100.000	3.980%	17.861
	11,350,000.00			11.731

	TIC	All-In TIC	Arbitrage Yield
Par Value	11,350,000.00	11,350,000.00	11,350,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount	-61,481.18	-61,481.18	
- Cost of Issuance Expense		-180,000.00	
- Other Amounts		-106,057.57	-106,057.57
Target Value	11,288,518.82	11,002,461.25	11,243,942.43
Target Date	10/20/2016	10/20/2016	10/20/2016
Yield	3.649474%	3.929198%	3.692404%



## BOND PRICING

City of Napa  
Solid Waste Revenue Bonds, Series 2016  
Numbers for Credit Presentation (DSRF Surety)  
Current Rates + 20 bps as of August 30, 2016

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Serial Bonds:					
	08/01/2018	465,000	1.600%	1.600%	100.000
	08/01/2019	470,000	1.760%	1.760%	100.000
	08/01/2020	480,000	2.030%	2.030%	100.000
	08/01/2021	490,000	2.230%	2.230%	100.000
	08/01/2022	500,000	2.490%	2.490%	100.000
	08/01/2023	510,000	2.640%	2.640%	100.000
	08/01/2024	525,000	2.770%	2.770%	100.000
	08/01/2025	540,000	2.920%	2.920%	100.000
	08/01/2026	555,000	3.070%	3.070%	100.000
		4,535,000			
Term 2031 Bonds:					
	08/01/2027	575,000	3.720%	3.720%	100.000
	08/01/2028	595,000	3.720%	3.720%	100.000
	08/01/2029	615,000	3.720%	3.720%	100.000
	08/01/2030	640,000	3.720%	3.720%	100.000
	08/01/2031	665,000	3.720%	3.720%	100.000
		3,090,000			
Term 2036 Bonds:					
	08/01/2032	685,000	3.980%	3.980%	100.000
	08/01/2033	715,000	3.980%	3.980%	100.000
	08/01/2034	745,000	3.980%	3.980%	100.000
	08/01/2035	775,000	3.980%	3.980%	100.000
	08/01/2036	805,000	3.980%	3.980%	100.000
		3,725,000			
		11,350,000			

Dated Date	10/20/2016	
Delivery Date	10/20/2016	
First Coupon	02/01/2017	
Par Amount	11,350,000.00	
Original Issue Discount		
Production	11,350,000.00	100.000000%
Underwriter's Discount	-61,481.18	-0.541684%
Purchase Price	11,288,518.82	99.458316%
Accrued Interest		
Net Proceeds	11,288,518.82	

## BOND DEBT SERVICE

City of Napa  
Solid Waste Revenue Bonds, Series 2016  
Numbers for Credit Presentation (DSRF Surety)  
Current Rates + 20 bps as of August 30, 2016

Period Ending	Principal	Coupon	Interest	Debt Service
08/01/2017			291,029.36	291,029.36
08/01/2018	465,000	1.600%	372,849.00	837,849.00
08/01/2019	470,000	1.760%	365,409.00	835,409.00
08/01/2020	480,000	2.030%	357,137.00	837,137.00
08/01/2021	490,000	2.230%	347,393.00	837,393.00
08/01/2022	500,000	2.490%	336,466.00	836,466.00
08/01/2023	510,000	2.640%	324,016.00	834,016.00
08/01/2024	525,000	2.770%	310,552.00	835,552.00
08/01/2025	540,000	2.920%	296,009.50	836,009.50
08/01/2026	555,000	3.070%	280,241.50	835,241.50
08/01/2027	575,000	3.720%	263,203.00	838,203.00
08/01/2028	595,000	3.720%	241,813.00	836,813.00
08/01/2029	615,000	3.720%	219,679.00	834,679.00
08/01/2030	640,000	3.720%	196,801.00	836,801.00
08/01/2031	665,000	3.720%	172,993.00	837,993.00
08/01/2032	685,000	3.980%	148,255.00	833,255.00
08/01/2033	715,000	3.980%	120,992.00	835,992.00
08/01/2034	745,000	3.980%	92,535.00	837,535.00
08/01/2035	775,000	3.980%	62,884.00	837,884.00
08/01/2036	805,000	3.980%	32,039.00	837,039.00
	11,350,000		4,832,296.36	16,182,296.36

## BOND DEBT SERVICE

City of Napa  
Solid Waste Revenue Bonds, Series 2016  
Numbers for Credit Presentation (DSRF Surety)  
Current Rates + 20 bps as of August 30, 2016

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/01/2017			104,604.86	104,604.86	
08/01/2017			186,424.50	186,424.50	291,029.36
02/01/2018			186,424.50	186,424.50	
08/01/2018	465,000	1.600%	186,424.50	651,424.50	837,849.00
02/01/2019			182,704.50	182,704.50	
08/01/2019	470,000	1.760%	182,704.50	652,704.50	835,409.00
02/01/2020			178,568.50	178,568.50	
08/01/2020	480,000	2.030%	178,568.50	658,568.50	837,137.00
02/01/2021			173,696.50	173,696.50	
08/01/2021	490,000	2.230%	173,696.50	663,696.50	837,393.00
02/01/2022			168,233.00	168,233.00	
08/01/2022	500,000	2.490%	168,233.00	668,233.00	836,466.00
02/01/2023			162,008.00	162,008.00	
08/01/2023	510,000	2.640%	162,008.00	672,008.00	834,016.00
02/01/2024			155,276.00	155,276.00	
08/01/2024	525,000	2.770%	155,276.00	680,276.00	835,552.00
02/01/2025			148,004.75	148,004.75	
08/01/2025	540,000	2.920%	148,004.75	688,004.75	836,009.50
02/01/2026			140,120.75	140,120.75	
08/01/2026	555,000	3.070%	140,120.75	695,120.75	835,241.50
02/01/2027			131,601.50	131,601.50	
08/01/2027	575,000	3.720%	131,601.50	706,601.50	838,203.00
02/01/2028			120,906.50	120,906.50	
08/01/2028	595,000	3.720%	120,906.50	715,906.50	836,813.00
02/01/2029			109,839.50	109,839.50	
08/01/2029	615,000	3.720%	109,839.50	724,839.50	834,679.00
02/01/2030			98,400.50	98,400.50	
08/01/2030	640,000	3.720%	98,400.50	738,400.50	836,801.00
02/01/2031			86,496.50	86,496.50	
08/01/2031	665,000	3.720%	86,496.50	751,496.50	837,993.00
02/01/2032			74,127.50	74,127.50	
08/01/2032	685,000	3.980%	74,127.50	759,127.50	833,255.00
02/01/2033			60,496.00	60,496.00	
08/01/2033	715,000	3.980%	60,496.00	775,496.00	835,992.00
02/01/2034			46,267.50	46,267.50	
08/01/2034	745,000	3.980%	46,267.50	791,267.50	837,535.00
02/01/2035			31,442.00	31,442.00	
08/01/2035	775,000	3.980%	31,442.00	806,442.00	837,884.00
02/01/2036			16,019.50	16,019.50	
08/01/2036	805,000	3.980%	16,019.50	821,019.50	837,039.00
	11,350,000		4,832,296.36	16,182,296.36	16,182,296.36

## UNDERWRITER'S DISCOUNT

City of Napa  
Solid Waste Revenue Bonds, Series 2016  
Numbers for Credit Presentation (DSRF Surety)  
Current Rates + 20 bps as of August 30, 2016

Underwriter's Discount	\$/1000	Amount
Average Takedown	4.00000	45,400.00
Underwriter's Counsel	0.88106	10,000.00
Ipreo Book Running	0.06180	701.43
Ipreo Electronic Order Entry Charge	0.01500	170.25
Ipreo Wire Charges	0.00925	105.00
DTC Charges	0.07048	800.00
CUSIP	0.04996	567.00
CUSIP Disclosure Fee	0.00308	35.00
CDIAC Fees	0.15000	1,702.50
DAC Continuing Disclosure	0.13216	1,500.00
Misc	0.04405	500.00
	5.41684	61,481.18

## COST OF ISSUANCE

City of Napa  
Solid Waste Revenue Bonds, Series 2016  
Numbers for Credit Presentation (DSRF Surety)  
Current Rates + 20 bps as of August 30, 2016

Cost of Issuance	\$/1000	Amount
Other Cost of Issuance	15.85903	180,000.00
	15.85903	180,000.00



CITY OF NAPA CITY COUNCIL  
**AGENDA REPORT**

ADMIN CALENDAR  
AGENDA ITEM 6.B.  
Date: September 20, 2016

To: Honorable Mayor and Members of City Council

From: Jacques R. LaRochelle, Public Works Director

Prepared by: Marlene F. Demery, Project Manager, Demery & Associates

Subject: Consideration of the Establishment of Evaluation Criteria for Proposals for the Public Safety and City Services Building Project (FC15PW02)

**ISSUE STATEMENT:**

Establish Criteria for Evaluation of Proposals for the Design, Construction, Operation, and Financing of a Public Safety and City Services Building Project, and for the Privately Funded Development of Excess City Property.

**DISCUSSION:**

On May 10, 2016, the City Council considered the evaluation of firms who submitted qualification proposals for the Public Safety and City Services Building Project. City Council selected three teams to move forward to the proposal phase of the process.

**PROJECT UPDATE**

Since the teams were selected, staff has been working diligently on developing the project goals to best meet the needs of the City. As such, we have modified several approaches to the project since the last time this project was discussed with the Council in May. Staff proposes to also include the site owned by the Housing Authority currently occupied by the Housing Division as they are also proposed to be included in the new city facility, making their current site available in the land sale which will occur as a result of the project. An item will be scheduled for the October 4, 2016, Housing Authority to consider potentially adding this property to the list of developable properties.

In addition, the RFP is proposed to consider sites not currently owned by the City for the new city facility. Later in this agenda item, this option will be discussed in the establishment of the criteria which will be used to evaluate the proposals by the three firms.

During the last discussion of the project with the City Council, both the public and the private components of the project were proposed to be constructed using prevailing wages. This was because some of public and private improvements were proposed to be shared, and, as a general rule, prevailing wages are required if public funding is

provided for private improvements. In further discussions with the development teams, staff found that the firms are not proposing to construct the facilities with these shared improvements. As long as the private portion of the project is developed solely with private funding, with no shared public and private facilities, prevailing wages will only apply to the public facilities. This would allow the private construction to be built using non-prevailing wage rates.

## **EVALUATION CRITERIA**

In order to properly evaluate the submittals, it is important that the criteria used reflect the City's values and goals for the project. The purpose of this agenda item is to consider the attached Draft Evaluation Criteria (Attachment 1). The criteria are reflective of the two distinct components of the project: (1) the public facilities for the Public Safety and City Services Building, and (2) the privately funded development of City property that will no longer be needed for City offices after construction of the public facilities. The privately funded component of the proposed project will require additional City Council consideration through a separate entitlement process at a later date.

Criteria for the public improvements center on the ability to meet both short and long term programmatic needs for the City, the overall design of the public buildings, location, access to downtown and transit, design which enhances customer service, sustainability, and provision for open space. The impact to the local building economy through the use of locally available resources is also an important factor. In addition, the overall cost and financing structure as well as the proposed phasing of the construction and the City's ability to continue to provide public services efficiently during the project will be included as factors in the evaluation.

Criteria associated with the private development includes the overall design and mix of uses, sustainability, project construction timing, and generation of revenue to pay for the construction of the public facilities. The inclusion of housing, retail, and hotel will be factors used to evaluate the proposals.

Other important factors include economic impacts to the Downtown Specific Plan Area, including business and job creation. The design of Gateway enhancements to the 1st Street Corridor and the development of a sense of place as well as the quality of the team's presentation materials are also important to consider as a part of the process.

The value of each of these criteria needs to reflect local Napa values. Staff has prepared a draft which is included as Attachment 1 for the City Council to use in establishing those values. The appropriateness of each of these factors as well as any others which should be included and their weighting in the process will correctly express those values and provide valuable information to the Development Teams to use in the preparation of their proposals.

## **FINANCIAL IMPACTS:**

There is no financial impact associated with the adoption of the criteria for the evaluation of the proposals.



**CEQA:**

The Public Works Director has determined that the Recommended Action described in this Agenda Report is not subject to CEQA, pursuant to CEQA Guidelines Section 15060(c).

**DOCUMENTS ATTACHED:**

1. Attachment 1: Draft Evaluation Criteria

**NOTIFICATION:**

Notifications to the Plenary, Sonnenblick & Strada/Scannell Teams

**RECOMMENDED ACTION:**

Staff recommends that the City Council move, second and approve each of the actions set forth below, in the form of the following motion. Move to:

Provide direction to staff regarding the relative weighting and evaluation criteria to be included in the request for proposals for the Public Safety and City Services Building Project.



**1. Public Facilities (25%)**

- 1.1. Overall Design of the Public Building – The degree by which the overall project concept and design addresses the project objectives and provides Civic Administration and Public Safety facilities that:
  - i. Provides a design which evokes civic pride and is inviting and accessible to all;
  - ii. Provides a modern and efficient Public Safety and Civic Administration Building;
  - iii. Provides welcoming, service-oriented spaces that are convenient for customers and enhance the delivery of customer service and public interaction;
  - iv. Provides interaction areas designed for collaboration and engagement with the public; and
  - v. Provides a design which evokes a quality image and creates a sense of public place.
- 1.2. Overall Flexibility and Functionality of the Facilities
  - i. The degree by which the design of the building will create spaces that can accommodate the City's programmatic needs in both the short term and long term; and
  - ii. Is efficient and allows flexible design layouts and growth.
- 1.3. Interactive Public Space Requirements – The degree by which the overall design creates civic areas for the public and for events and:
  - i. Provides for a lively and invigorated City Hall; and
  - ii. Connects the interior spaces of City Hall to the exterior usable open spaces around City Hall.
- 1.4. Location of the Public Facilities – The degree by which the location of the Civic Building contributes to the revitalization of Downtown:
  - i. Accessibility for both residents and visitors utilizing existing vehicular, pedestrian and transportation corridors; and
  - ii. Accessible parking for the public and employees.
- 1.5. Delivery Structures & Expertise – The degree by which Respondent's teams demonstrate the ability to provide the facilities in accordance with the proposed delivery structure, including:
  - i. The respondent's proposed delivery structure to the City;
  - ii. The collective expertise of the Respondent's Project Team to plan, design, finance, construct, operate and maintain the proposed project in accordance with the criteria contained in the RFP and the Technical Requirements; and
  - iii. The relevant experience of the individual personnel assigned to work on the project.
- 1.6. Sustainability – Evaluation of the Respondent's proposed sustainability features for the Civic Building and the associated energy savings realized for the City. Baseline minimum for the public facilities is LEED Gold equivalent.
- 1.7. Public Art – Evaluation of the extent which public art is integrated into the project. The Public Art plan should indicate how public art will be integrated into the project; however, the specific art pieces will be selected through a separate public process.

**2. Gateway Enhancement to 1<sup>st</sup> Street (5%)**

- 2.1. Design – The degree by which the proposed development concept for the CSB and the Superblock create a gateway entrance to Downtown along First Street at a vehicular and pedestrian scale.
- 2.2. Functionality/flexibility – The degree by which the proposed development creates functional and flexible spaces that enhance the Gateway experience along First Street, for both the pedestrian and vehicles.
- 2.3. Sense of place – The degree by which the proposed development creates a sense of place that adds to and enhances the Gateway experience along First Street at a vehicular and pedestrian scale.

**3. Project Management Plan (10%)**

- 3.1. The Degree to which the Respondent's technical submittal presents a robust and credible approach to the efficient and safe implementation of the project, including:
  - i. A demonstrated understanding of the organizational needs of the Project through:

- a. Presentation of an approach to successfully perform concurrent streams of design work through robust project management and effective communication lines; and
- b. Provision of a comprehensive organizational structure demonstrating an ability to successfully execute the Project through a coordinated and well-planned approach to organizing design, construction, and O&M Services.
- ii. Demonstration of a comprehensive understanding of the activities necessary to efficiently achieve complete construction of the Project, including identification of any expected construction constraints; and
- iii. Presentation of creative solutions for the sequencing of development that will minimize disruption of City operations at each stage of construction and minimizes disruption and cost to City operations.
- 3.2. The degree to which the technical submittal contemplates a logical and credible approach to construction scheduling and sequencing, including:
  - i. A clear and detailed description of a proposed sequence of construction that presents a logical order for the implementation of the Project;
  - ii. Demonstration of a comprehensive and logical plan for the sequencing of utility work to minimize disruptions and maximize available services throughout all major development stages of the Project;
  - iii. Presentation of a Project schedule that sets forth aggressive but realistic time frames for the completion of the Construction Work;
  - iv. Presentation of an approach to construction logistics and sequencing that demonstrates a carefully considered plan to manage parking and traffic congestion (vehicular, bicycle, and pedestrian) in and around the Project Site throughout the Construction Period in a manner that will limit disruption and ensure safety while performing construction; and
- 3.3. Presentation of an efficient and effective Project logistics plan (including staging, temporary site facilities, access and construction worker parking, etc.) organized for each sequence of construction so as to minimize disruption, public service impacts and traffic access conflicts.
- 3.4. Local Participation – Evaluation of the commitment teams make to include local workforce participation on the project.

## 4. Pricing & Structuring (30%)

- 4.1. Pricing proposal to the City for the Public Building including fiscal stability of the proposed financing plan, including:
  - i. Overall evaluation of the pricing and proposed financing terms
  - ii. The degree to which the financial proposal provides assurances and guarantees to the City and any contingencies of the offer are fair, reasonable, transparent and there is a clear path and commitments to closing, as well as completion of the Public Building;
  - iii. Net Public Building Cost – Evaluation of the net Public Building Cost calculated as follows:

ADD:	Cost of Public Building(s)
ADD	NPV of the cost of financing (Equity, Developer Returns/Profit, and/or Debt)
ADD:	NPV of the cost of phasing City operations during construction
ADD:	NPV of the cost of O&M over the life of the agreement
Equals:	Total Public Building Cost
Less:	Residual Land Value of Excess City Land
Less:	NPV of anticipated additional tax revenue generated*
Equal	Net Public Building Cost

\*also should address timing of when tax revenues would come online

- iv. To the degree that Respondent financing is required, the reasonableness of the proposed sources to fund the Public Building, including:
  - a. Proposed equity and financing assumptions for the Public Building;
  - b. Strength of commitments for the proposed sources to fund the Public Building; and
  - c. For respondents proposing to use public financing, evaluation of the teams understanding of:
    - 1. The impacts of such public financing on the overall deliver cost;

2. The potential impacts of the use of forms of public financing on the City's balance sheet and future debt capacity.

4.2. Evaluation of the value offered for excess City lands including:

- i. The degree by which the respondent provides commitments to develop excess City lands at the earliest possible date;
- ii. The Proposed Purchase Price for any excess city land is a reasonable offer at least fair market value;
- iii. Strength of equity commitments
- iv. Strength of financing commitments

**5. Economic Impact (15%)**

- 5.1. Overall Economic Impact – Development concepts which demonstrate the potential for significant positive impact on the surrounding areas as a result of the development.
- 5.2. Business/Job Creation – Development concepts that stimulate business/job creation, retention or enhancement.
- 5.3. Housing Creation – Development concepts that create a range of housing, market rate, workforce and/or affordable housing, and the impact of creating such housing.
- 5.4. Long Term Revenue Generation – Development concepts that are catalyst for an increase the support of local businesses and generates new City revenues including sales tax, hotel tax and property taxes.

**6. Private Development (15%)**

- 6.1. The degree by which the overall private development concept provides facilities that:
  - i. Contributes to the overall revitalization of Downtown and the Downtown Specific Plan goals, vision and design standards;
  - ii. Promotes a vibrant, lively, and invigorated Downtown that creates a sense of place;
  - iii. Creates an aesthetically pleasing use of patterns and building facades;
  - iv. Creates active ground-floor uses;
  - v. Building(s) form and massing is appropriate and provides the necessary transition along first street, the project is in context with the surrounding neighborhood, and is consistent with applicable City plans and regulations;
  - vi. Well integrated with the surrounding neighboring uses; and
  - vii. Provides for an appropriate mix of uses in the development including but not limited to market rate, affordable and workforce housing, hotels, retail, parking, and other appropriate and synergetic uses.
- 6.2. Strength of market assumptions that provide a rationale for proposed uses.
- 6.3. Sustainability – The degree by which the design exceeds LEED Silver.

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*Total = 100%*

**Bonus Points**

**Wow factor (5%)** – Examples include, but are not limited to: Creative integration of public art, creative financing, integration of local heritage/culture, degree to which affordable housing addressed the needs of the workforce in the surrounding area, and additional amenities & functions.



CITY OF NAPA CITY COUNCIL  
**AGENDA REPORT**

PUBLIC HEARING  
AGENDA ITEM 7.A.  
Date: September 20, 2016

To: Honorable Mayor and Members of City Council

From: Rick Tooker, Community Development Director

Prepared by: Jennifer La Liberte

Subject: Second Reading of Ordinance/Resolution Adopting Parking Impact Fee

**ISSUE STATEMENT:**

Approve the second reading and final passage, and adopt an ordinance amending Napa Municipal Code Chapter 15.94 relating to the procedures for the Parking Impact Fee; and adopt a resolution adopting a Parking Impact Fee for non-residential development in the Parking Exempt Overlay District.

**DISCUSSION:**

This report summarizes the bases for staff's recommendation that City Council take two actions: (1) approve the second reading of an ordinance to make clarifications to the City's procedures for establishing parking impact fees; and (2) adopt a resolution to update the amount of parking impact fees charged to new development in the Parking Exempt Overlay District ("PE District").

The attached staff report from the Council meeting of August 2, 2016, provides a more complete summary of the Council's initial consideration of the Parking Impact Fee ("PIF") ordinance and resolution (see Attachment 3). At that meeting, the Council approved the first reading of the PIF ordinance, yet did not take any action on the recommended resolution to update the PIF. The Council opted to postpone final action in order to provide City staff an opportunity to respond to a late communication from an attorney representing a developer of a proposed project at 1330 Clay Street, within the PE District (see Attachment 4).

In the late communication, dated August 2, 2016, the developer raises essentially three sets of issues challenging the City's proposed update to the PIF. The developer's letter asserts: (1) the City should not adopt the PIF resolution until after the effective date of the proposed update to the PIF ordinance and a related update to the boundaries of the PE District; (2) the City has not sufficiently analyzed the potential environmental impacts of the PIF ordinance update under the California Environmental Quality Act ("CEQA"); and (3) the City has not adequately established the "nexus" (reasonable relationship) between the parking impacts created by new development, and the amount of the fee imposed on that new development to fund parking improvements. City staff has provided a response to each of the issues raised by the developer, below.

1. It is within the City Council's authority to adopt the recommended update to the PIF prior to the effective date of either: (1) the ordinance amending the PE District, or (2) the ordinance amending the procedures for establishing parking impact fees.

The recommended update to the PIF was calculated based on a reasonable estimate of future development in the PE District that would generate demand for new public parking, as documented in the Nexus Study which included an expansion of the PE District to include six additional parcels based on recommendations included in the Downtown Specific Plan ("DSP"). The developer's concern on this point is now moot since the City Council adopted the ordinance expanding the PE District on August 16, 2016, which was effective September 15, 2016, and the Nexus Study analyzes the need for public parking within the PE District as amended.

The recommended update to the PIF is consistent with the procedural requirements of Napa Municipal Code Chapter 15.104, either the version of that Chapter currently in effect, or the version that is proposed to be adopted at this meeting. As relevant to the calculation of the PIF, the changes to Chapter 15.104 that are proposed by the recommended ordinance (see Attachment 2) are essentially a summary of the requirements of State law which apply under either the existing or proposed version of Chapter 15.104. The recommended ordinance does more clearly describe the process for calculating the "net new parking demand" of a development project (in Section 15.104.040(C)), but this is merely a clarification of the City's interpretation of the requirements under the existing version of Chapter 15.104. The recommended ordinance also includes clearer procedures for the early payment of fees based on a complete application, consistent with other recently updated impact fees. If the Council adopts the recommended ordinance and the recommended updated impact fee, the ordinance would be effective 30 days from adoption (October 20, 2016) and the updated fee would be effective 60 days from adoption (November 21, 2016).

2. The City has adequately analyzed the potential environmental impacts of the recommended impact fee ordinance and resolution at a "program level," consistent with CEQA; and "project level" CEQA analysis neither required nor feasible at this stage since the City has not yet made a commitment to a particular location for construction of a parking structure to be funded with impact fee revenue.

The potential environmental impacts of downtown parking, as described in the recommended PIF ordinance and resolution, were adequately evaluated at a program level in the DSP Environmental Impact Report ("DSP EIR"), and no substantial changes have occurred to parking since the certification of the DSP EIR. The DSP evaluated many alternative parking strategies to address supply and demand, including modifying parking standards within the PE District; improving pedestrian and bicycle ways and lighted cross-walks to encourage greater "non-automobile" travel; incorporating pricing and other parking management best practices; ensuring a reasonable provision of long-term parking for employees; protecting adjacent neighborhoods from spillover parking that might result from parking management strategies; and reviewing and refining funding strategies to ensure adequate revenue to meet future construction, operations, enforcement and maintenance needs. Some of these strategies were implemented with the adoption of the DSP (e.g., parking standards modification) while others have been or are being implemented (e.g., use of valet parking through license agreements to



maximize use of limited parking spaces, and pedestrian and bike way improvements), and still others are being analyzed for future implementation as directed by City Council on May 1, 2016, and documented in the Downtown Parking Management Plan (e.g., funding strategies, pricing, signage, possible residential permit program, wayfinding, user information, etc.). It is important to note that the DSP includes a specific recommendation to adjust the parking impact fee to more closely reflect the actual cost of providing parking.

The proposed adoptions of the PIF ordinance and resolution do not create a “project level” impact under CEQA. Although the calculation of the recommended PIF, as described in the Nexus Study, anticipates the future construction of one or more parking structures to mitigate parking impacts in the PE District, the City has not yet “committed” to construct any particular parking structure. The City is in the beginning stages of master planning the CineDome Focus Area as described in the DSP, and this process will include an evaluation of the feasibility of siting a parking structure in that area; but the City has not yet established a “finite site” or design for the structure. The City anticipates that the master planning process will result in an identified site for a parking structure along with approximate size, orientation, and other details, and it will include additional CEQA analysis to support recommendations for Council’s consideration.

3. The City has adequately established the “nexus” (reasonable relationship) between the parking impacts created by new development, and the amount of the fee imposed on that new development to fund parking improvements.

The recommended resolution establishing the updated PIF, along with the Nexus Study attached to the resolution, carefully documents compliance with all of the requirements of the Mitigation Fee Act (Government Code Section 66000, et seq.), including the identification of each of the following elements: (1) baseline parking supply; (2) baseline parking demand, including actual parking caused by existing development, as well as the estimated parking demand from the future development of vacant buildings which, once occupied, will generate parking demand but will not be required to pay a parking impact fee; (3) future parking demand based on development projections based on the DSP, as well as pending development projects; (4) proposed improvements (parking structures) to serve future parking demand; and (5) estimated cost of those improvements. The Nexus Study then equitably and proportionately allocates the estimated cost of the improvements across the new development that creates the net new demand for public parking (and receives the benefit from public parking). Thus, the Nexus Study establishes the required nexus and reasonable relationship between future development impacts and an impact fee to offset the estimated cost of future parking structures to serve future development.

It is important to note that the baseline parking supply (parking structures and parking lots) was created by the City using non-impact fee revenue. Thus, although the City cannot “guarantee” there will be sufficient parking to serve businesses in the PE District, there is currently existing supply that has been made available to serve existing demand; and the City continues to take actions to provide parking to cover immediate demands (e.g., licenses for valet parking, parking demand management, and construction of new short-term surface parking lots).

As mentioned, the Nexus Study carefully evaluates the baseline parking demand. Thus, there is a field observation of physical parking impacts at peak hour on the baseline parking supply, and there is also an estimation of parking impacts that vacant buildings will generate once developed or leased since they will be able to use public parking without being charged an impact fee.

In documenting the baseline parking demand, the Nexus Study identifies that the City has executed two license agreements with hotel projects – one with the Andaz and the other with the Archer -- for the exclusive use of parking spaces on the top levels of two City-owned garages. Although the spaces subject to the two license agreements are identified as a part of the public parking supply, they are also identified as being used as a part of the baseline parking demand, because they serve demand caused by hotel guests and employees. Through the license agreements, the City actively manages the uses of parking structures by the hotels to most effectively use minimal parking spaces through valet parking and “stacking” of cars, to park the greatest number of cars in the least number of spaces. In exchange for the exclusive use of the most poorly utilized spaces in the two garages, the developers have obligations to pay charges that substantially exceed the current impact fee, and those funds will be used to construct future parking.

Similarly, as a part of both the baseline supply and the baseline demand, the Nexus Study also identifies private projects within the PE District that have built their own private parking. This includes the Napa River Inn (which owns surface parking and a portion of the County-owned Fifth Street Garage), as well as Riverfront Napa (which owns its own structure and a portion of the County-owned Fifth Street Garage). Thus, the identification of parking spaces owned or licensed by private development projects is not for the purpose of illustrating parking available to the public, but rather to show that parking demand generated by those projects has been more than sufficiently mitigated so that additional public parking supply is not needed to serve those projects. It is, however, also important to note that the private investment in the Fifth Street Garage was critical in allowing the City (through its former redevelopment agency) to fund a smaller share of the total cost of what now provides important public parking supply.

The Nexus Study quantifies the anticipated future development impacts within the PE District based on projections included in the DSP, which provides rational land use assumptions based on zoning criteria and development standards. To the extent that City staff had supplemental information at the time the Nexus Study was prepared regarding actual development projects in the current planning or project pipeline, that information was factored into the development projections. However, any such supplemental information was not “in addition to” the projections included in the DSP; but rather it was simply a more refined estimate of development of a particular parcel. The Nexus Study documents compliance with the legal requirement to reasonably estimate the future development that will be the subject of the impact fee, based on the development projections included in the DSP.

The City has been working on the proposed increase to the PIF for several months, and the Council has discussed options at prior public meetings and directed staff to return with a final recommendation. Consistent with previous Council input and the Nexus

Study, staff recommends the City Council adopt the resolution to increase the PIF to \$23,000 per parking space, and the ordinance amending Napa Municipal Code Chapter 15.94 to clarify the City's procedure for establishing parking impact fees.

### **FINANCIAL IMPACTS:**

The recommended action will result in an increase in revenue collected for each new development project that generates net new parking demand in the PE District. At the recommended dollar amount of \$23,000 per parking space, the City will have to continue to supplement the actual cost of building new public parking. The dollar impact to the Parking Fund is difficult to estimate as staff is unable to predict which projects may occur and whether or not some developers would propose to construct subterranean on-site parking to meet their parking requirement.

### **CEQA:**

The Community Development Director has determined that the Recommended Action is not in-and-of-itself a "project" (pursuant to CEQA Guidelines Section 15378(b)(4)) since it does not result in a physical change in the environment, and it is the creation of a government funding mechanism which does not involve any commitment to any specific project which may result in a potentially significant impact on the environment. As described in this report, the adoption of the parking impact fee does not commit the City to constructing any particular project. However, the Recommended Action is part of a larger "project" that will be subject to environmental review in accordance with CEQA at the "earliest feasible time" prior to "approval" consistent with CEQA Guidelines Sections 15004 and 15352. The earliest feasible time for Council's evaluation of environmental impacts will be after Council identifies a site for a parking structure that will serve development in the Downtown Parking Exempt District, and prior to Council's approval of construction for that parking structure.

Furthermore, development that is contemplated to create additional parking demand subject to the Parking Impact Fee was adequately described by, and within the scope of, the Program Environmental Impact Report for the Downtown Napa Specific Plan (State Clearinghouse #2010042043) adopted by City Council on May 15, 2012, pursuant to CEQA Guidelines Section 15168(e); and was adequately evaluated by the Mitigated Negative Declaration for the 1300 Main Street Building adopted by City Council on June 7, 2016 (Resolution R2016-80), pursuant to CEQA Guidelines Section 15162.

### **DOCUMENTS ATTACHED:**

1. Attachment 1: Resolution Adopting Parking Impact Fee (with Exhibit "A")
2. Attachment 2: Ordinance Amending NMC Chapter 15.104
3. Attachment 3: Staff report from August 2, 2016 public hearing (minus attachments)
4. Attachment 4: Written communication from developer dated August 15, 2016
5. Attachment 5: Written communication dated September 9, 2016

**NOTIFICATION:**

Legal notice was published in the Napa Valley Register on September 9, 2016 and September 14, 2016. Staff notified members of the public who participated in the August 2, 2016 public hearing to the extent contact information was provided, and other interested parties.

**RECOMMENDED ACTION:**

Staff recommends that the City Council move, second and approve each of the actions set forth below, in the form of the following motion. Move to:

- 1) Adopt a resolution adopting a Parking Impact Fee for Non-residential Development in the Parking Exempt District; and
- 2) Approve the second reading and final passage, and adopt an ordinance Amending Napa Municipal Code Chapter 15.104 "Parking Impact Fee on Non-residential Development in the Parking Exempt Overlay District"

RESOLUTION R2016-\_\_

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
NAPA, STATE OF CALIFORNIA, ADOPTING A PARKING  
IMPACT FEE FOR NON-RESIDENTIAL DEVELOPMENT IN  
THE PARKING EXEMPT DISTRICT

WHEREAS, Napa Municipal Code Chapter 15.104 establishes a parking impact fee, which is a fee charged to non-residential development in the :PE Parking Exempt Overlay District ("Parking Exempt District"), to allow the City to ameliorate and mitigate the parking impacts created by non-residential development in the Parking Exempt District; and

WHEREAS, as identified in greater detail in Napa Municipal Code Chapter 15.104, the purpose of the parking impact fee is to further the implementation of the Downtown Specific Plan by continuing to promote a pedestrian-friendly downtown where new non-residential development in the Parking Exempt District is not required to provide onsite parking, thereby creating additional parking demand to be served by nearby public parking facilities; and

WHEREAS, concurrently with the City Council's consideration of this resolution, the Council is considering an accompanying ordinance to amend Napa Municipal Code Chapter 15.104, by which the City will update and clarify the procedures by which the City establishes and implements parking impact fees; and

WHEREAS, the City Council hereby finds that the parking impact fee update described in this resolution is consistent with the version of Napa Municipal Code Chapter 15.104 currently in effect (since that is the version that will be in effect on the date this resolution is considered), as well as the version of Napa Municipal Code Chapter 15.104 being concurrently considered for adoption by City Council (since that is the version that is anticipated to be in effect when the fee established by this resolution is implemented), and that the differences between the two ordinances do not create any significant impact on the manner by which the City calculates the parking impact fee; and

WHEREAS, the City wishes to impose a parking impact fee on new non-residential development in order to provide funding necessary to design and construct additional public parking to serve demand to be generated by new and existing development while serving as an incentive for developers to continue to invest in new development and redevelopment in Downtown Napa. The collection of these fees will allow the City to mitigate the parking impacts of non-residential development in the Parking Exempt District by generating monies that can be applied directly toward the production of public parking facilities; and

WHEREAS, the City commissioned the preparation of the *Downtown Napa Parking Impact Fee Nexus Study*, prepared by Walker Parking Consultants, dated April 6,

## **ATTACHMENT 1**

2016 (“the Nexus Study”), attached hereto and incorporated herein as Exhibit “A,” in order to analyze and quantify the technical bases for the parking impact fee imposed on new non-residential development in the Parking Exempt District, pursuant to the requirements of the California Mitigation Fee Act, California Government Code section 66000 *et seq* (“the Act”), and Napa Municipal Code Chapter 15.104; and

WHEREAS, as analyzed in greater detail in the Nexus Study, there exists a reasonable relationship between the amount of fee imposed by this Resolution and the non-residential development considered in the Nexus Study; and

WHEREAS, as further documented in the Nexus Study, there is a reasonable relationship between the amount of the fees established by this Resolution and the costs of the public parking to be constructed, developed and administered under the City’s public parking program; and

WHEREAS, the Nexus Study establishes that there is a reasonable relationship between the fee amounts it identifies and the non-residential development on which the fee is established under this Resolution; and

WHEREAS, pursuant to Sections 66016 and 66018 of the Act, the City has provided public notice and conducted public hearings in accordance with the requirements of Government Code section 6062(a), which were conducted on August 2, 2016, as well as on September 20, 2016; and

WHEREAS, the City Council has considered all information related to this matter, as presented at the public meetings of the City Council identified herein, including any supporting reports by City Staff, and any information provided during public meetings.

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

1. The City Council hereby finds that the facts set forth in the recitals to this Resolution are true and correct, and establish the factual basis for the City Council’s adoption of this Resolution.
2. The City Council hereby determines that the adoption of a parking impact fee under this Resolution not in-and-of-itself a “project” (pursuant to CEQA Guidelines Section 15378) since it does not result in a physical change in the environment. However, the fee adoption is part of a larger “project” that will be subject to environmental review in accordance with CEQA at the “earliest feasible time” prior to “approval” consistent with CEQA Guidelines Sections 15004 and 15352. The earliest feasible time for Council’s evaluation of environmental impacts will be after Council identifies a site for a parking structure that will serve development in the Downtown Parking Exempt District, and prior to Council’s approval of construction for that parking structure. Furthermore, the City Council hereby determines that the potential environmental impacts of the parking impact fee program that is the subject

## **ATTACHMENT 1**

of the accompanying ordinance amending Napa Municipal Code Chapter 15.104 as well as this resolution (including the mitigation of parking impacts through the construction of future parking improvements funding by parking impact fees) is: (a) adequately examined in, and within the scope of, the Final Environmental Impact Report for the Downtown Napa Specific Plan (State Clearinghouse #2010042043) adopted by City Council on May 15, 2012; and (b) adequately examined by the Mitigated Negative Declaration for the 1300 Main Street Building adopted by City Council on June 7, 2016 (Resolution R2016-80).

3. The City Council hereby finds that the fee amounts identified in this Resolution will generate revenue to offset the estimated reasonable administrative, contractual and material costs incurred by the City in providing the facilities for which the fees are imposed. The Council further finds that the fees approved pursuant to this Resolution are charges imposed as a condition of property development, and, accordingly, the fees adopted by the resolution are not “taxes” as defined by Section 1(e) of Article XIII C of the California Constitution pursuant to California Constitution Article XIII C, Section 1(e)(6).
4. The City Council hereby finds and determines that the Nexus Study documents facts and analyses necessary to address the requirements of California Government Code 66001(a)(1)-(4), specifically, and makes the following findings in support of the fee adoption :
  - a. The Nexus Study identifies the purpose of the parking impact fee. As identified in the report, the fee is intended to generate revenue to construct structured parking and facilities within the City of Napa to offset the demand for parking created by net new non-residential development in the City’s Parking Exempt District.
  - b. The Nexus Study identifies how the fee will be used. The revenue generated from the parking impact fee set by this Resolution, along with any interest earned or collected thereupon, shall be used to increase the supply of public parking serving development in the Parking Exempt District. Parking impact fee revenue shall be used to finance the acquisition of land, planning, environmental review, design, construction administration, construction, equipment manufacturing and installation, administrative costs (including financial, legal, and general administrative services), and reasonable contingencies.
  - c. The Nexus Study demonstrates a reasonable relationship between the fee’s use and the type of development project on which the fee shall be imposed. The specific parking impact for each non-residential use has been calculated based on aggregating impacts of land uses and the City’s parking requirements and calculating a cost per space to construct structured parking to serve those combined non-residential uses.

- d. The Nexus Study establishes that a reasonable relationship exists between the need for public parking and the type of development project on which the fee will be imposed. The Nexus Study analyzes the current parking supply and demand within the Downtown Parking Exempt District study area, estimating demand using assumptions based on full occupancy of current and projected vacancies and build-out, and bases the fees for the type of development project on which the fee will be imposed by estimating the current costs to build an above-grade parking structure, including real property costs, and dividing the total by the total number of parking spaces identified as required for non-residential development within the study area under current City parking standards as established under Napa Municipal Code Chapter 17.54.
  - e. The Nexus Study establishes a reasonable relationship between the amount of the fee and the costs of the public parking to be constructed, developed and administered under the City's public parking program. The parking impact fee calculation is based on the cost to provide above-grade structured parking for the 955 spaces identified by the Nexus Study as necessary to satisfy parking demand in the 2015-2030 timeframe, minus funds that have already been collected or that are expected to be available for construction of the facility.
- 5. The City Council hereby establishes a parking impact fee in the amount of \$23,000 per parking space, which shall be imposed on net new development of nonresidential development in the Parking Exempt District, in accordance with Napa Municipal Code Chapter 15.104 (particularly the calculation set forth in Section 15.104.040(C), if the fee is imposed under the version of 15.104 that is proposed to be adopted concurrently with this resolution; or the calculation set forth in Section 15.104.020, if the fee is imposed under the version of 15.104 that is in effect on the date of this resolution).
  - 6. This Resolution shall take effect immediately upon its adoption, as a documentation of the final action taken by Council. The parking impact fee established by this resolution shall be effective November 7, 2016.



## **ATTACHMENT 1**

I HEREBY CERTIFY that the foregoing Resolution was duly adopted by the City Council of the City of Napa at a public meeting of said City Council held on the 20<sup>th</sup> day of September, 2016, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST: \_\_\_\_\_  
Dorothy Roberts  
City Clerk

Approved as to form:

\_\_\_\_\_  
Michael W. Barrett  
City Attorney



Ahead of the Curve  
in creative parking solutions

**DOWNTOWN NAPA  
PARKING IMPACT FEE  
NEXUS STUDY**

NAPA, CA

Prepared for:  
CITY OF NAPA

APRIL 6, 2016



**WALKER**  
PARKING CONSULTANTS



APRIL 6, 2016

33-1804.00

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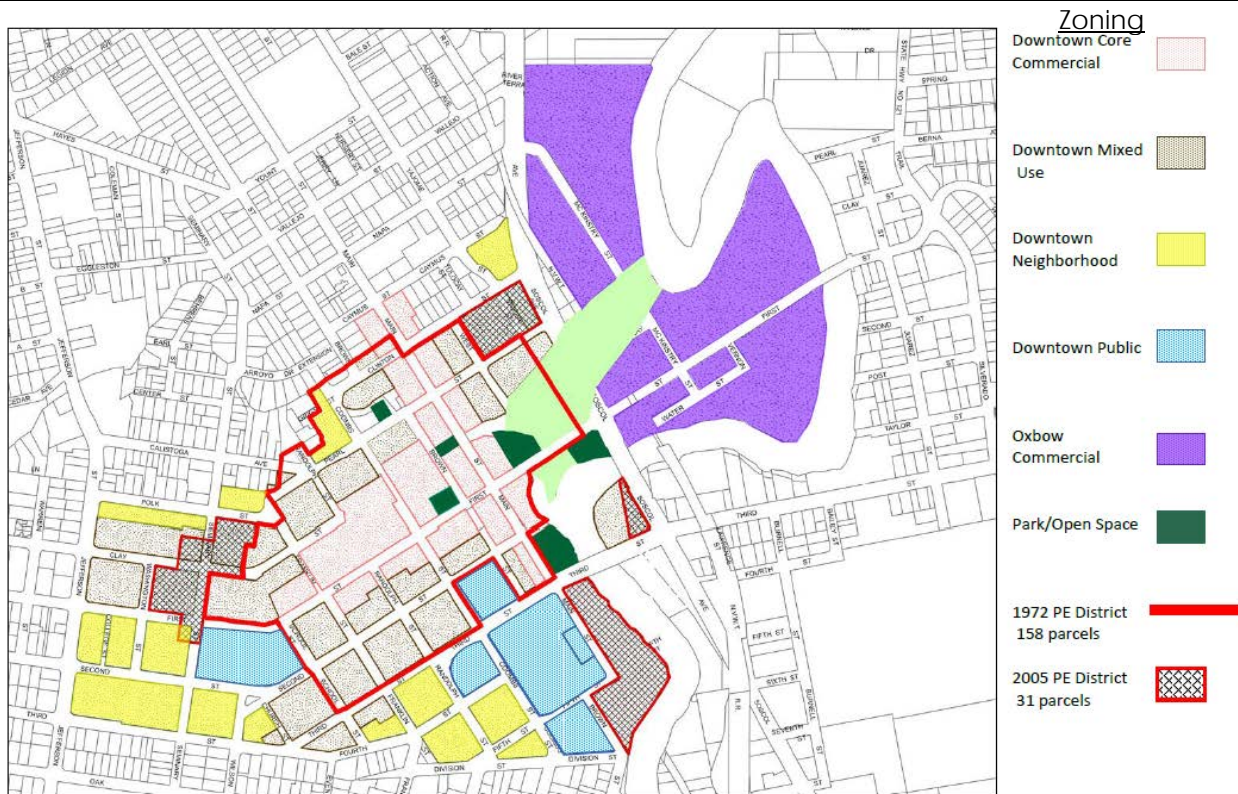
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## PARKING IMPACT FEE BACKGROUND

The City of Napa currently charges a parking impact fee on the parking demand generated by net new non-residential development located within the boundaries of the Parking Exempt District ("PE District"). The PE District's boundaries, which were modified in 2005 to include 31 additional parcels (depicted in hash-mark shading) for a total of 189 parcels, are shown on the map in Figure 1.

Figure 1: City of Napa Parking Exempt District Boundary



Source: City of Napa

The parking impact fee is codified in Napa Municipal Code chapter 15.104 and was adopted in 2005 in conjunction with the PE District boundary expansion. The fee originally was set at \$7,500 per required parking space (net new) to help mitigate the new development's impact on the public parking supply. The fee does not apply to residential properties because they are required by code to provide on-site parking. The net new parking impact is derived by subtracting the gross square footage of existing development on a site from the gross new square footage of the new development project, and applying the adopted parking standard(s) as defined in the zoning code to the net new square footage. The Parking Impact Fee is then charged on each net new parking space generated by the project. The development project receives "credit" for the parking demand generated by the existing non-residential square footage on the site. The parking impact is calculated based on land uses and the City's parking requirements (Municipal Code Chapter 17.54, see Section

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17.54.040(D), and Downtown Specific Plan Chapter 6, see Table 6.2), generally as follows for non-residential uses:

- For commercial and office uses: 3.2 spaces per 1,000 square feet of ground floor space, and 2.4 spaces per 1,000 square feet of second floor or higher space.
- For hotels and motels, 1 space per sleeping room plus 1 space for manager plus 1 space for every 2 employees (full or part time) plus, if hotel has convention, banquet, restaurant or meeting facilities, parking shall be provided in addition to the hotel / motel requirement, as determined by the Planning Commission, based on a parking study.
- For bed and breakfast inns, 1 space shall be provided for the owner/manager's unit and each guest room. Credit may be given in limited instances for on-street parking fronting the structure where a survey documents such parking is available and does not affect adjacent residential uses.
- For public/quasi-public facilities, standards are typically established through parking studies of the specific use.
- For mixed use, which is defined by the Downtown Specific Plan ("DSP") as a mix of uses that are either office, commercial/retail, residential, lodging/hospitality, institutional, public and quasi-public, a blended factor of 3.2 spaces per 1,000 square feet is applied in the Nexus Study to the non-residential portion of future development since the precise mix of uses is unknown. Any residential component is required to incorporate parking on site.

## NEXUS STUDY APPROACH

This Nexus Study serves as an update to the 2004 nexus study prepared by Economic & Planning Systems (EPS). In the EPS nexus study, the cost per space to construct structured parking was approximately \$21,500 excluding land, which equated to a cost to the developer of approximately \$44 per square foot of the private development. At the time, the total demand for parking in the PE District was not as high as today, nor as high as anticipated in the future. The City Council established a lower fee to encourage continued private investment in Downtown while still helping the City obtain funding to help with construction of new parking. At that time, the City's redevelopment agency was a funding source to supplement the Parking Impact Fee, and near-term development was anticipated to generate several million dollars in parking impact fees to apply to a new parking structure. Since the Parking Impact Fee's establishment in 2005, two large development projects constructed parking on site and the country experienced a recession which slowed the pace of development. As a result, the City has collected only \$1.1 million in parking impact fees to date.

As a first step of the Nexus Study, Walker Parking conducted field verifications of the City's parking inventory and surveyed parking utilization in the PE District on July 10, 2014, referred to as the "benchmark date" for this analysis. Some changes worth noting since the parking impact fee was established include:



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- 1) The EPS study determined there was 835,000 square feet of retail and office space in the PE District in 2005, compared to approximately 1,164,000 square feet of retail, office and mixed use development in the PE District at the benchmark date, an increase of 329,000 square feet. This total is for all occupied and unoccupied buildings, but does not include public and quasi-public facilities, primarily because most if not all of the public facilities in the Study Area are served by on-site parking (e.g., City Hall and other City offices) and the assumption is that any future expansion of public facilities, whether in the Study Area or on the periphery, will require a physical parking solution rather than payment of the Parking Impact Fee. Note that some new development constructed since 2005 included on-site parking, specifically Napa Square provided 44 parking spaces for its office and retail tenants, and Riverfront Napa provided 229 parking spaces total (68 for residents, the remainder for customers and tenants in the property). The 141-room Andaz Napa hotel was completed in 2006, and now leases the top level of the Clay Street Garage (54 spaces), and through valet is permitted to park 75 cars by stacking. Rather than paying a parking impact fee up front, the hotel makes a monthly payment to the City based on an annual schedule over a 30-year term.
- 2) The County-owned Fifth Street parking garage was completed in 2009, adding 277 spaces to the public supply and 208 spaces that are restricted for County fleet or private use by occupants of the nearby Riverfront Napa and Napa Mill properties.
- 3) Parking occupancy peaks have shifted over time and parking demand has expanded into evenings and weekends.
- 4) The DSP, adopted in 2012, incorporated new parking standards and included updated long-term land use projections for the study area, which includes the PE District.
- 5) The Napa River Bypass, completed in 2015, resulted in removal of 122 surface and on-street public parking spaces at Lot X and West Street in the north end of the PE District.
- 6) In addition, there have been other minor changes in parking supply and the costs to build and operate parking have changed as well.

For these reasons, an updated nexus study is warranted.

The benchmark date total development figure includes the gross square footage for all existing buildings in the PE District, whether occupied or unoccupied. A "parking credit" was incorporated into the analysis by applying the appropriate parking standard to the gross square footage of the vacant portion of the buildings that were unoccupied as of the benchmark date. Approximately 154,000 square feet, or 13% of the 1,164,000 square feet, was vacant on the benchmark date. In all instances, the vacancies were retail and office space in commercial buildings. A significant portion of the vacancy was attributable to the Napa Center (aka "First Street Napa") renovation project, which accounts for slightly over 100,000 square feet of retail space.

Note that Walker's analysis assumes that the current PE District will be expanded to include the six parcels now zoned Downtown Core Commercial in the Downtown Specific Plan, located

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on Main Street between Clinton and Caymus streets, as shown on Figure 2. The remainder of this report will refer to this expanded area as the "Study Area."

Per the State of California Mitigation Fee Act (Government Code section 66000 et seq.), in order to establish, increase or impose a fee as a condition of approval of a development project by a local agency, the local agency shall do all of the following<sup>1</sup>:

1. Identify the purpose of the fee.
2. Identify the use to which the fee is to be put. If the use is financing public facilities, the facilities shall be identified. That identification may, but need not, be made by reference to a capital improvement plan as specified in Section 65403 or 66002, may be made in applicable general or specific plan requirements, or may be made in other public documents that identify the public facilities for which the fee is charged.
3. Determine how there is a reasonable relationship between the fee's use and the type of development project on which the fee is imposed.
4. Determine how there is a reasonable relationship between the need for the public facility and the type of development project on which the fee is imposed.

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<sup>1</sup> <http://www.leginfo.ca.gov/cgi-bin/displaycode?section=gov&group=65001-66000&file=66000-66008>



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Figure 2: Study Area and Public Parking Supply



Source: City of Napa; Walker Parking Consultants

The Nexus Study will:

- Assess existing parking supply and demand in the Study Area, and determine current parking surplus during peak parking demand conditions.
  - This assessment will include parking demand that would be generated by properties within the Study Area that were vacant on the benchmark date, which will be assigned a "parking credit" should those properties become occupied after the benchmark date. Upon occupancy these properties will create parking demand on the current parking system but will not be subject to a parking impact fee, unless they redevelop by adding net new (non-residential) square footage.
  - By considering parking occupancy during peak parking demand conditions, this assessment also will consider private properties with on-site parking that serves private development in the Study Area.

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- Project future parking demand based on DSP development projections plus any known development since the 2012 DSP adoption that has not been included in the projections.
- Determine future parking shortfall based on the projections.
- Determine the costs to produce the parking required based on the projections, and subtract the funds the City has on hand to determine the funding need.
- Calculate parking impact fee per space required to provide required funding to fill the need.

### STUDY AREA CURRENT CONDITIONS (PARKING SUPPLY)

This section outlines the current conditions of public parking starting with the supply in the Study Area, followed by the surplus of spaces during peak conditions.

#### PUBLIC PARKING SUPPLY

Public parking supply in the Study Area is depicted on Figure 2 and summarized on Table 1. It includes spaces that are owned and/or operated by the City of Napa and made available to the general public, including the portion of Parking Lot A on Second Street behind Goodman Library which is owned by the City of Napa Parking Authority. It also includes the 277 spaces in the County-owned Fifth Street Garage that are non-restricted and available for public use, as well as the County-owned Sullivan lot at Third and Coombs streets (block 28 on Figure 2. This garage and lot are located just outside the PE District boundary but serve development in the PE District.) It does not include spaces that are reserved for specific user groups such as private firms or public vehicles, rendering the spaces unavailable for general public use.

Through a parking license agreement with the City, the Archer Hotel will have exclusive use of 145 spaces in the Pearl Street Garage. Those spaces are included in the total parking supply counts, even though they will not be available for general public use on a self-park basis. They will, however, serve to park customers to the hotel and adjoining restaurants and retail spaces, and through valet parking and car stacking the hotel will be permitted to park an additional 45 cars, beyond the 145 striped spaces, on the top level of the garage. Upon completion of the hotel project, the hotel developer will pay \$3.15 million to the City's Parking Fund, which greatly exceeds the Parking Impact Fee requirement and will help accelerate the City's ability to build a new downtown parking structure. Through a similar parking license agreement with the City, the Andaz Hotel has exclusive rights to valet 74 cars in 54 striped spaces on the top level of the Clay Street garage, for which the hotel is making an annual payment of approximately \$50,000 per year, which escalates over a 30-year term for approximately \$2 million to the City's Parking Fund in exchange for those privileges. The 54 licensed spaces are included in the parking supply counts.

There are 1,984 spaces of total public parking supply in or serving the Study Area, of which 643 are on-street and 1,341 are off-street. Walker Parking has applied an effective supply factor of

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85% for on-street and 90% for off-street parking spaces, which is industry standard<sup>2</sup>. Effective supply reflects the fact that parking systems are “effectively” full at less than 100% occupancy. It accounts for the dynamics of vehicles moving in and out of spaces as well as lost spaces due to misparking, debris, construction, etc. The effective public supply for the Study Area is 1,754 spaces.

Note that the DSP parking demand factors incorporate an effective supply factor, which is described as “practical capacity” on page 182 of the DSP (Table 6.3, footnote 5).

**Table 1: Study Area – Public On-Street and Off-Street Parking Supply**

Type	Spaces	Effective Supply Factor	Effective Supply
On-Street	643	85%	548
Lots	460	90%	415
City Garages	881	90%	791
<b>Total</b>	<b>1,984</b>		<b>1,754</b>

Source: City of Napa; Walker Parking Consultants

## EXISTING AND LONG-TERM DEMAND AND PARKING SHORTFALL

This section addresses the existing and projected long-term parking demand through the end of the Downtown Specific Plan projection period (year 2030).

### EXISTING DEMAND

For the existing demand analysis, Walker Parking:

1. Verified the existing development in the Study Area as of the benchmark date, utilizing a City-provided parcel-by-parcel database of existing development by square footage. The database includes building square footages that were vacant. As previously noted, as of the benchmark date, there was approximately 1,164,000 square feet of floor area with approximately 1,010,000 occupied square feet and 154,000 vacant square feet.
2. Conducted a field observation of peak parking conditions generated by occupied buildings. Based on field data collection in July 2014, peak parking conditions were experienced on Thursday afternoon at 1:00 PM, which is typical in downtown areas.

<sup>2</sup> On-street effective supply of 85% is an industry standard that has been adopted and popularized by Professor Donald Shoup (an example is here: <http://shoup.bol.ucla.edu/CruisingForParkingAccess.pdf>). Off-street effective supply of 90% is cited in the book authored by Walker Parking Consultants staff titled *Parking Structures: Planning, Design, Construction, Maintenance and Repair*.

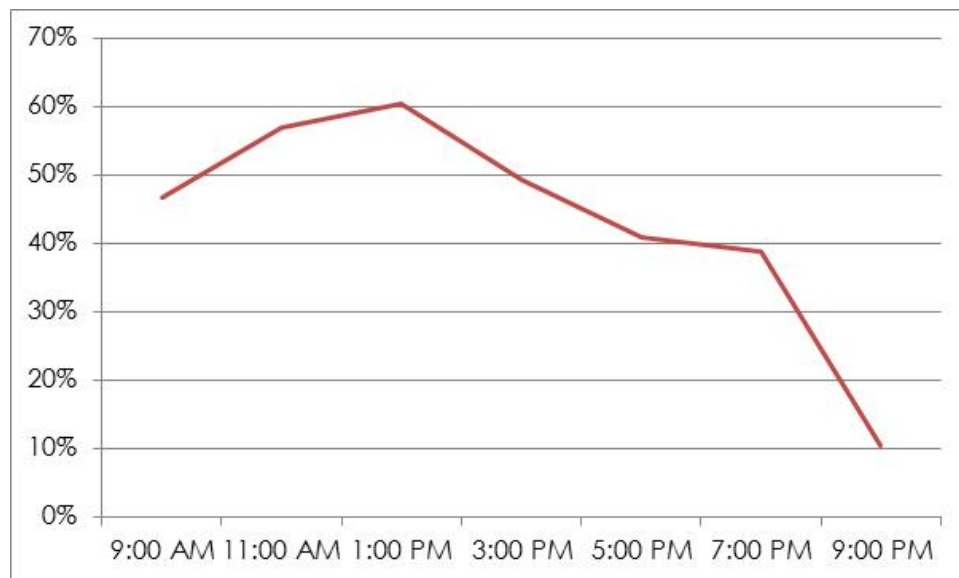
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Figure 3 illustrates occupancy by time of day on Thursday July 10, 2014 in the Downtown Core, of which the Study Area is a part.

3. Estimated the parking demand that would be generated by vacant buildings if they were fully occupied, based on City parking requirements, since the parking demand generated by those unoccupied structures when occupied would use existing supply and would not be charged an impact fee.
4. Factored in existing demand for any property that has an approved entitlement that will generate additional parking demand on the public parking supply, but which has already mitigated that additional demand (namely the Archer Hotel. The Napa River Inn expansion also has approval and is not yet built, but it has mitigated its parking demand with private restricted parking supply in the Fifth Street Garage and is therefore not considered to create parking demand that will impact the public supply).

Figure 3: Occupancy by Time of Day on Thursday July 10, 2014



Source: Walker Parking Consultants

Of 1,754 spaces in the Study Area, there are 1,311 occupied at peak, leaving a surplus of 443 spaces, which is outlined on Table 2. The 1,311 occupied at peak is based on field observation on the benchmark date.

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Table 2: Study Area – Surplus Public Parking Spaces during Peak Period

Type	Effective Supply	Occupied at Peak	Surplus	% of Total
On-Street	548	407	141	26%
Off-Street	1,206	904	302	25%
<b>Total</b>	<b>1,754</b>	<b>1,311</b>	<b>443</b>	<b>25%</b>

Source: City of Napa; Walker Parking Consultants

Table 3 summarizes occupied and vacant floor area and parking required for the vacant gross floor area (GFA), utilizing parking demand ratios specified. The analysis assumed second floor vacancies as office use with a parking demand of 3.2 spaces per 1,000 square feet; and vacant ground floor space as retail use with a parking demand of 2.4 spaces per 1,000 square feet in accordance with the DSP parking standards.

Table 3: Existing Mixed Use, Office and Retail Space as of July 2014

Use	Total GFA	Occupied GFA	Vacant GFA	Parking Required for Vacant GFA
Mixed Use	171,731	171,731	0	0
Office	344,632	333,855	10,777	34
Retail	647,869	504,826	143,043	343
<b>Total</b>	<b>1,164,232</b>	<b>1,010,412</b>	<b>153,820</b>	<b>377</b>
(-) Surplus at Peak				443
(=) Remaining Parking before Archer Demand				66
(-) Archer Demand				145
(=) Surplus/Shortfall				(79)

Source: City of Napa; Walker Parking Consultants

In summary, as of the benchmark date, effective public supply for the Study Area was 1,754 spaces; and existing development in the Study Area on the benchmark date required 1,311 parking spaces based on observation during peak parking demand period (Thursday at 1:00 PM). At the benchmark date, 153,820 square feet of commercial space was vacant that, when fully leased, will add demand for 377 parking spaces, based on current parking standards, which will not pay an impact fee. In addition, the Archer Hotel is already entitled and would add demand for 145 spaces. The current effective supply of 1,754 spaces does not meet the existing demand requirement as it is short by 79 spaces at parking peak.

## PROJECTED DEMAND

To project demand for parking in the Study Area generated by future development that will be subject to the Parking Impact Fee, Walker Parking adjusted DSP-anticipated build-out by land use (2030) based on existing conditions data. The DSP projections included assumptions

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regarding “opportunity sites” that would likely redevelop over time, and determined likely additional square footages for anticipated development by land use. The assumed land uses to generate future public parking demand include retail, office and lodging. Also, since the adoption of the DSP, two relatively small projects which paid a parking impact fee have been completed – The Thomas at Fagiani’s, and Burger Fi – and are included in the benchmark date “existing development” calculation. Walker Parking compared the DSP development assumptions for these two sites to the actual impact and adjusted the long-term parking demand accordingly.

Table 4 illustrates the net parking required to support projected DSP build-out.

Table 4: Additional Parking Demand in Study Area Based on Projected Downtown Specific Plan Build-Out

Net Change in SF - Ground Floor Uses	Net Change in SF - Second Floor+ Uses	Net Parking Change - Ground Floor Uses	Net Parking Change - Second Floor+ Uses	Total Net Parking for Projected Development
125,204	198,820	400	476	876

Source: City of Napa; Walker Parking Consultants

Figure 4 shows the anticipated future parking demand on a parcel basis.

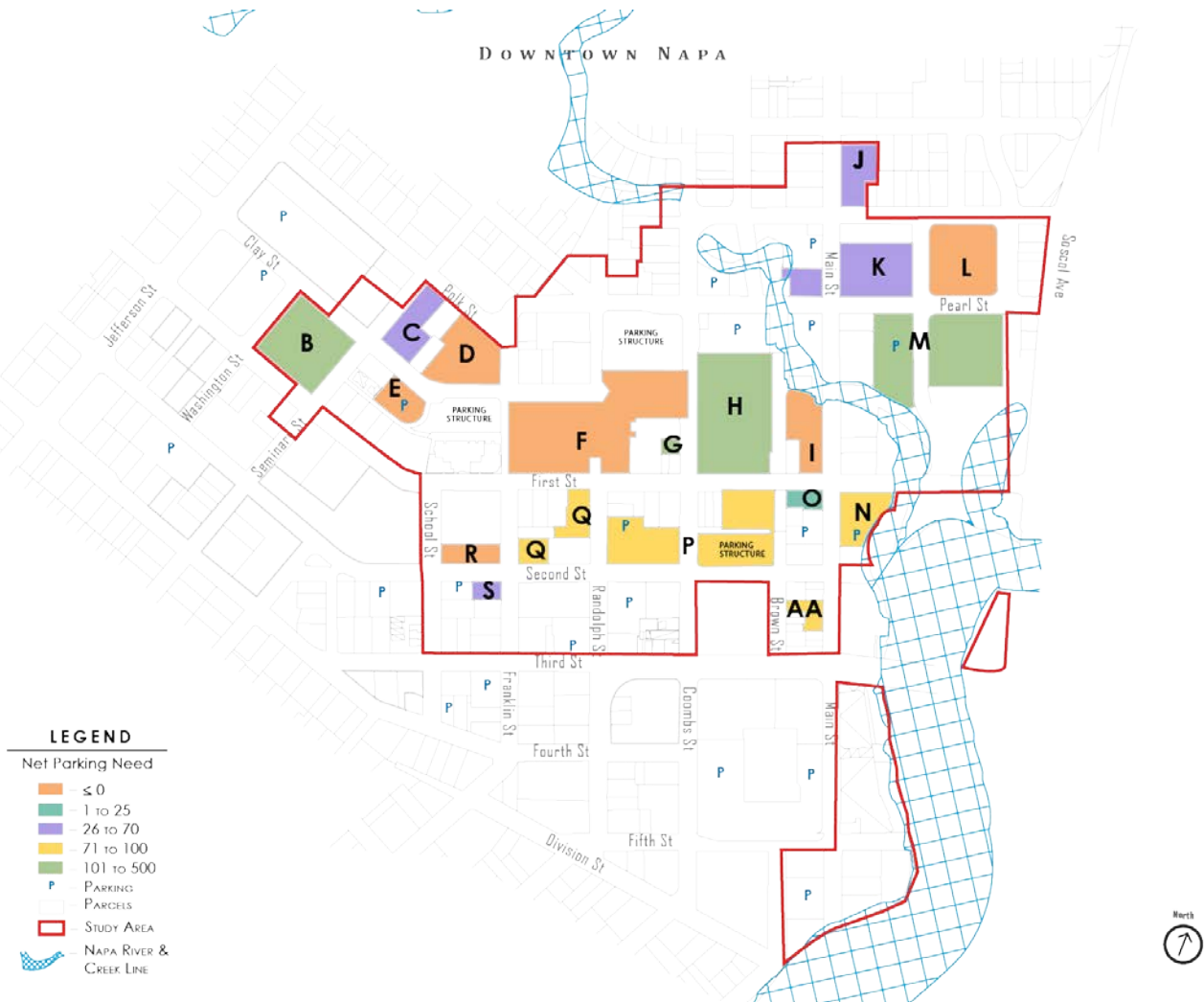




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Figure 4: Net Estimated Parking Demand Change by Parcel (per Downtown Specific Plan through 2030)



Source: City of Napa; Walker Parking Consultants

Anticipated residential development is not included in the analysis as it will be required to self-park in accordance with the Zoning Ordinance and DSP parking standards.

## PARKING SHORTFALL

The parking shortfall is calculated by adding the parking required for vacant non-residential space as of the benchmark date (Table 3) with demand from the entitled Archer Hotel with the net parking required for projected development at DSP build-out (Table 4) then subtracting the surplus parking at peak on the benchmark date (Table 2).

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**Table 5: Net New Public Parking Spaces Required at Downtown Specific Plan Build-Out**


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Parking Required for Vacant Commercial Space	377
Parking Required for Entitled Archer Hotel	145
Net Parking Required for Projected Development	876
(-) Surplus Parking at Peak	443
<b>Public Parking Required at DSP Build-Out</b>	<b>955</b>

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*Source: City of Napa; Walker Parking Consultants*

## PARKING IMPACT FEE COMPONENTS

To determine the Parking Impact Fee, the Nexus Study estimates the current cost to build above-grade, structured parking, including the cost of land that a new parking facility would occupy. Walker Parking has assumed that future public garages would be built to a standard similar to the Fifth Street garage and would not have on-site staff or parking access and revenue control equipment. Structured, above-ground facilities represent the most reasonable option (as opposed to surface parking due to land scarcity) for the City to provide public parking in the future.

The Parking Impact Fee calculation also considers funds available to the City to provide required parking. Subtracting these funds from the total cost to provide all required parking, which is then divided by the total number of spaces to be provided, yields the total cost per space to provide required parking.

## PARKING STRUCTURE COST

Walker estimates that the cost to build an above-grade parking garage in the San Francisco Bay Area is approximately \$27,000 per space, based on actual costs for above-grade parking garages of approximately 400 spaces for public agencies in the East Bay and San Francisco. This assumes per-space hard costs of \$22,500 and soft costs at 20% of hard costs. Hard costs relate to the costs associated with physical construction, such as labor and materials, while soft costs include items such as architecture, engineering and permit fees. It does not include the cost of land, extra amenities, upgraded construction materials, or subterranean parking.

For the purpose of the Nexus Study, Walker Parking assumed that by 2030, in order to provide the 955 spaces of public parking required at DSP build-out, the City would most likely have to build two new structures of approximately 480 spaces each (the equivalent of the Fifth Street garage). Like the Fifth Street garage, which has set a new standard and public expectation for parking structure design, the parking garages would each cost approximately \$13-\$15 million if constructed in 2016, or the equivalent of \$27-31 thousand per space. The higher per-space cost factors in costs for a possible level or half-level of subterranean parking which will likely be necessary to achieve the desired quantity of spaces; nice building materials equivalent to the Fifth Street garage; and amenities such as charging stations, solar panels,



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and public art. Based on these assumptions, the total cost to the City in today's dollars would be \$26-\$30 million for two parking garages, excluding land.

At the benchmark date, the cost to acquire land in the PE District was approximately \$90 per square foot. Assuming each of the new garages would require a one-acre footprint, the estimated land cost for both garages in 2014-15 dollars would be \$7.84 million. Therefore, for the purpose of this analysis, the total estimated cost of 955 new parking spaces is \$33.8-\$37.8 million, or the equivalent of approximately \$35,400-\$39,600 per space. For the purpose of the Nexus Study, the cost of land is shown both as included and not included in the cost of future parking. Where the cost of land is not included, the City is contributing the land value (which was acquired using non-impact fee funding sources) to offset the cost of the parking impact fee imposed on new development.

#### EXISTING AND ANTICIPATED FUNDS FOR NEW PARKING FROM EXISTING SOURCES

In total, the City will have approximately \$8.0 million available at June 30, 2017, for the provision of new parking between its Parking Impact Fee, Parking Assessment, Parking License Agreement, and Flood Project parking mitigation funds. These funds are held in the City's Parking Fund for design and construction of future parking facilities. Maintenance funds are accounted for separately and are not included in the balance.

Of the existing funds, \$1.15 million is parking impact fee revenue, and the remaining \$7.50 million is non-parking impact fee revenue as illustrated in Table 6. The City has budgeted \$600,000 for interim surface parking from non-impact fee revenue sources, resulting in the remaining fund balance.

**Table 6: City Parking Fund Balance for New Parking Supply (2016 Dollars)**

Downtown Parking Assessment	\$233,092
Parking Impact Fee	\$1,155,000
Flood Project Mitigation	\$3,660,000
Parking License Agreement	\$3,602,500
<b>Total Estimated Funds</b>	<b>\$8,650,592</b>
(-) Approved Expenditures	\$600,000
<b>(=) Remaining Fund Balance</b>	<b>\$8,050,592</b>

Source: City of Napa

The City anticipates receiving an additional \$1.775 million from July 2017 through June 2039 from the Andaz parking license agreement. Payments are made on a monthly basis based on escalating annual installments. This revenue results in less than \$100,000 per year to the Parking Fund for most of the 30-year term and therefore can contribute to future parking incrementally.

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### PARKING IMPACT FEE CALCULATION

The parking impact fee calculation is based on the cost to provide above-grade structured parking for 955 required spaces in the 2015 to 2030 timeframe, minus funds that are expected to be on-hand. The total of hard and soft costs per space is assumed to be \$30,000 which would allow for upgraded materials, amenities, and some subterranean parking similar to the Fifth Street garage and as described under "Parking Structure Cost" above, and falls within the range specified previously. The cost to provide parking on City-owned land is approximately \$28.7 million. Under a scenario where land purchase is required, the cost of land is approximately \$7.8 million. Land costs are excluded in the City-owned land scenario since the land is assumed to be contributed by the City. Available funds of \$8.0 million are applied to both scenarios.

Table 7: Parking Impact Fee Calculation in 2015-2030 Timeframe (2016 Dollars)

#### Land Purchase Required

Net New Spaces Required	955
Hard and Soft Costs per Space	\$30,000

Total Cost of Parking	\$28,650,000
Land Value (2 acres at \$90 per SF)	\$7,840,800
(-) Available Funds	\$8,050,592

<b>Net Funds Required</b>	<b>\$28,440,208</b>
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Future Demand Subject to Parking Impact Fee	876
<b>Total Cost/Space with Land Purchase</b>	<b>\$32,466</b>

#### City-Owned Land

Net New Spaces Required	955
Hard and Soft Costs per Space	\$30,000

Total Cost of Parking	\$28,650,000
(-) Available Funds	\$8,050,592

<b>Net Funds Required</b>	<b>\$20,599,408</b>
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Future Demand Subject to Parking Impact Fee	876
<b>Total Cost/Space on City-Owned Land</b>	<b>\$23,515</b>

Source: Walker Parking Consultants

Where land purchase is required to provide the parking, the estimated fee to be charged to new development is approximately \$32,500 per space. Where new parking garages are provided on City-owned land, the fee is estimated at \$23,500 per space.

ORDINANCE O2016-\_\_

ORDINANCE OF THE CITY COUNCIL OF THE CITY OF  
NAPA, STATE OF CALIFORNIA, AMENDING NAPA  
MUNICIPAL CODE CHAPTER 15.104 "PARKING IMPACT  
FEE ON NON-RESIDENTIAL DEVELOPMENT IN THE  
PARKING EXEMPT OVERLAY DISTRICT"

WHEREAS, the City is constitutionally authorized to adopt ordinances which implement the City's home rule authority to regulate municipal affairs, including the raising of municipal revenue and the regulation of land use, as set forth in California Constitution Article XI, Section 5; and the City is authorized to adopt ordinances to regulate the public health, safety, and welfare, pursuant to the City's police power authority as set forth in California Constitution Article XI, Section 7; and

WHEREAS, the "Mitigation Fee Act" (California Government Code Sections 66000, *et seq.*) establishes substantive and procedural requirements for the City to establish and impose development impact fees on new development, in order to fund the construction of capital public facilities that mitigate the impacts that new development has on the City's provision of municipal services; and

WHEREAS, consistent with the requirements of the Mitigation Fee Act, in 2005, the City Council adopted Ordinance No. O2005-3, as codified in Napa Municipal Code Chapter 15.104 (Parking Impact Fee), which documents the parameters by which the City establishes and imposes development impact fees on new non-residential development to mitigate the impacts on the City's provision of public parking facilities to serve said development and existing development; and

WHEREAS, consistent with the requirements of Napa Municipal Code Chapter 15.104, the City Council has previously adopted resolutions to document the impacts caused by new development, the public facilities required to be built in order to mitigate the impacts of new development on the City's public parking facilities in the Parking Exempt Overlay District (including the construction of a new parking garage in the vicinity of Pearl and West streets, and a second parking garage in a location to be identified), the estimated cost of the identified public facilities, and the proportionate allocation of those costs (in the form of development impact fees) to new development that generates the need for the public facilities and that receives a benefit from the public facilities; and

WHEREAS, the City established the development impact fee for public parking facilities on January 4, 2005, Resolution R2005-7, which established impact fee funding for public parking facilities within the "PE Parking Exempt Overlay District," the geographical area defined on the City's zoning map and defined in Napa Municipal Code Chapter 17.44 ("Parking Exempt District"); and

WHEREAS, in the course of conducting the 2016 update to R2005-7, the City identified the need to update certain provisions of Napa Municipal Code Chapter 15.104 in order to more accurately estimate the impacts of new non-residential development on the City's ability to construct new public parking facilities to meet parking demand generated by said new non-residential development, consistent with the requirements of the Mitigation Fee Act; and

WHEREAS, the City Council has considered all information related to this matter, as presented at the public meeting of the City Council identified herein, including any supporting reports by City Staff, and any information provided during public meetings.

NOW, THEREFORE, BE IT ORDAINED, by the City Council of the City of Napa as follows:

**SECTION 1: Amendment.** Napa Municipal Code Chapter 15.104 is hereby amended by repealing the previous language in its entirety, and by adopting new language as set forth below:

**“Chapter 15.104  
Parking Impact Fee on Nonresidential Development in the  
:PE Parking Exempt Overlay District**

**Sections:**

- 15.104.010 Purpose and scope of this chapter.**
- 15.104.020 Definitions.**
- 15.104.030 Establishment of fees by implementing resolutions.**
- 15.104.040 Payment of fees.**
- 15.104.050 Use of fees.**

**15.104.010 Purpose and scope of this chapter.**

- A. The purpose of this chapter, which may be referred to as the “Parking Impact Fee Ordinance,” is to document the substantive and procedural requirements that the City will follow in order to establish, increase, and impose development impact fees on non-residential development projects for the purpose of funding public parking facilities that mitigate the parking impacts of development projects within the Parking Exempt District.
- B. This chapter is adopted pursuant to the City's constitutional home rule authority, as set forth in California Constitution Article XI, Section 5; pursuant to the City's police power authority to regulate matters impacting the public health, safety, and welfare, as set forth in California Constitution Article XI, Section 7; and pursuant to the Mitigation Fee Act, as set forth in California Government Code sections 66000, *et seq.*

**15.104.020 Definitions.**

As used in this chapter:

“Developer” means the person or entity that is legally responsible for the planning, development, and construction of any development project covered by this chapter. The developer may be the property owner of the real property that is subject of the development project, or a person or entity legally authorized by the property owner; however, the property owner shall be jointly and severally liable with the developer for payment of fees required pursuant to this Chapter.

“Development project” means any proposed construction work that requires a City permit for construction of a building (either new construction or net increase in floor area of an existing building). “Development project” also means any proposed change of use that requires a City permit.

“Director” means the Community Development Director of the City of Napa, or a designee of the Community Development Director or the City Manager.

“Implementing resolution” means a resolution adopted by the City Council that documents compliance with the requirements of Section 15.104.030, below.

“Nonresidential development” means any development project, in whole or in part, to the extent that it is not required to provide onsite parking in the Parking Exempt District, based on the requirements of Chapter 17.44 of this Code.

“Parking Exempt District” means the geographical area identified as the “PE Parking Exempt Overlay District” on the City’s zoning map, as those terms are defined in Title 17 of this Code.

**15.104.030 Establishment of fees by implementing resolutions.**

Any action by the City to establish, increase or impose a parking development impact fee (“fee”) pursuant to this chapter shall be subject to City Council approval of an implementing resolution which documents compliance with all requirements of the Mitigation Fee Act, including the following:

- A. Identify the purpose of the fee by identifying the types and quantities of development projects creating impacts on the City’s ability to provide public parking facilities, and the public facilities designed to mitigate the impacts that will be funded with the fees generated by the development projects. This will include an identification of the types of development projects subject to the fee, the estimated quantities of development projects that will be subject to the fee, and the estimated impacts of the identified development projects on the City’s ability to provide public parking facilities to serve development in the Parking Exempt

District.

- B. Identify the use of the fee by identifying the specified public facilities to be funded by the fees, including the estimated costs of the components of the specified public facilities, such as: real property acquisition, land use planning, environmental review, design, construction administration, construction, equipment manufacturing and installation, administrative costs (including financial, legal, and general administrative services related to establishment and enforcement of the fee program), and reasonable contingencies.
- C. Determine how there is a reasonable relationship between the City's use of the fee and the types of development projects on which the fee is to be imposed by demonstrating how the development projects will benefit from the specified public facilities to be funded by the fees.
- D. Determine how there is a reasonable relationship between the need for the specified public facilities and the types of development projects on which the fee is to be imposed, by demonstrating how the development projects create a demand for the construction of the specified public facilities to be funded by the fees.
- E. Determine how there is a reasonable relationship between the amount of the fee and the cost of the specified public facility attributable to the development projects on which the fee is to be imposed. This shall include two elements: (i) a quantification of the estimated reasonable cost of providing the specified public facility (including the component costs identified above); and (ii) an identification of the method by which the City quantifies the proportionate responsibility of each development project for the cost of the specified public facilities, which may be satisfied by establishing a formula which reasonably quantifies the proportionate responsibility of various types of development projects using standardized units of measurement.

### **15.104.040 Payment of fees.**

- A. Each developer for a nonresidential development project shall pay the parking impact fee ("fee") in the amount in effect when the fee is paid (as set forth in the implementing resolution), except to the extent that the developer submits sufficient documentation that the developer is entitled to an adjustment in the fee amount, pursuant to this section.
- B. The fee for each unit of development within a development project shall be paid in-full prior to the issuance of the building permit required for that unit of development, unless otherwise authorized by the Mitigation Fee Act. If a building permit is not required for all or a portion of a development project, or if a developer receives a building permit from the City for a unit of development and the fee has not been paid, the developer shall pay the fee within 30 days of

written notice from the City. The fee shall be paid no earlier than either: (1) the date on which a complete application is filed for the building permit; or, (2) if no building permit is required, the date on which a complete application is filed for the City permit for the development project.

- C. The fee to be paid for a development project shall be charged on the basis of the estimated number of parking spaces generated by the net new development. The net new parking demand shall be calculated as follows:
1. Calculate the parking demand generated by the development project pursuant to Chapter 17.54 (particularly Section 17.54.040(D)).
  2. Calculate the parking demand generated by any existing structure on the same site as the development project, pursuant to Chapter 17.54 (particularly Section 17.54.040(D)). For the purpose of this section, the parking demand generated by the existing structure shall be decreased by the number of any onsite parking spaces that will be eliminated by the development project.
  3. The net new parking demand for the development project shall equal the parking demand generated by the development project, less a credit for the parking demand generated by the existing structure that is replaced by the new development.
  4. When calculating net new parking demand, no credit shall be provided for existing residential buildings.
  5. To the extent that a development project provides onsite parking spaces (in accordance with Chapter 17.44), the project shall receive a credit against the parking demand generated by the development project.
- D. A developer subject to the fee may apply to the City Council for an adjustment or waiver of the fee if the application is filed in accordance with this subsection 15.104.040(D). The application must be filed in writing with the Director no later than 10 days prior to the first public hearing for any discretionary permit or approval for the development project. The developer shall bear the burden of proving that there is no substantial evidence to support a reasonable relationship, or nexus, between the impacts of the development project and the fee imposed on the development project, based on the criteria set forth in Section 15.104.030. The City Council may adjust or waive the fee in accordance with this subsection if the Council determines that the developer has met its burden of proof. In addition to the procedures to apply for an adjustment or waiver of a fee, pursuant to this subsection 15.104.040(D), a developer may protest a fee by complying with the requirements of the Mitigation Fee Act (notably, California Government Code Sections 66020 through 66025), and filing an appeal pursuant to Napa Municipal Code Chapter 3.04.

**15.104.050 Use of fees.**

- A. The fees imposed by the City pursuant to this chapter shall be used by the City to pay, in whole or in part, the cost of providing specified public facilities, as described in the implementing resolution.
- B. Fee revenue shall be collected, separately accounted, and used by the City in accordance with the requirements of the Mitigation Fee Act (California Government Code Sections 66000, *et seq.*).
- C. In order to more effectively mitigate the impact of development projects, and maximize the use of fee revenues, fee revenues may be used as temporary loans from one fee fund to another fee fund only if the City Council makes the following findings:
  - (1) Based upon planned phasing of the public facilities, and anticipated timing of fee revenues to be collected, it is in the City's best interests to allow the temporary loan.
  - (2) All requirements of the Mitigation Fee Act have been satisfied, including a specification of the amount loaned, the date of repayment, and the interest rate to be paid."

**SECTION 2: Severability.** If any section, sub-section, subdivision, paragraph, clause or phrase in this Ordinance, or any part thereof, is for any reason held to be invalid or unconstitutional, such decision shall not affect the validity of the remaining sections or portions of this Ordinance or any part thereof. The City Council hereby declares that it would have passed each section, sub-section, subdivision, paragraph, sentence, clause or phrase of this Ordinance, irrespective of the fact that any one or more sections, sub-sections, subdivisions, paragraphs, sentences, clauses or phrases may be declared invalid or unconstitutional.

**SECTION 3: Effective Date.** This Ordinance shall become effective thirty (30) days following adoption.

**SECTION 4: CEQA.** The City Council hereby determines that the adoption of this ordinance is not in-and-of-itself a "project" (pursuant to CEQA Guidelines Section 15378) since it does not result in a physical change in the environment. However, the adoption of this ordinance is part of a larger "project" that will be subject to environmental review in accordance with CEQA at the "earliest feasible time" prior to "approval" consistent with CEQA Guidelines Sections 15004 and 15352. The earliest feasible time for Council's evaluation of environmental impacts will be after Council identifies a site for a parking structure that will serve development in the Downtown Parking Exempt District, and prior to Council's approval of construction for that parking structure. Furthermore, development that is contemplated to create additional parking demand subject to the Parking Impact Fee was adequately examined in the Final Environmental Impact Report for the Downtown Napa Specific Plan (State Clearinghouse #2010042043) adopted by City Council on May 15, 2012; and the Mitigated Negative Declaration for the 1300 Main Street Building adopted by City Council on June 7, 2016 (Resolution R2016-80).



## ATTACHMENT 2

City of Napa, a municipal corporation

MAYOR: \_\_\_\_\_

ATTEST: \_\_\_\_\_  
CITY CLERK OF THE CITY OF NAPA

STATE OF CALIFORNIA }  
COUNTY OF NAPA } SS:  
CITY OF NAPA }

I, Dorothy Roberts, City Clerk of the City of Napa, do hereby certify that the foregoing Ordinance had its first reading and was introduced during the public meeting of the City Council on the 2<sup>nd</sup> day of August, 2016, and had its second reading and was adopted and passed during the public meeting of the City Council on the 20<sup>th</sup> day of September, 2016, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST: \_\_\_\_\_  
Dorothy Roberts  
City Clerk

Approved as to Form:

\_\_\_\_\_  
Michael W. Barrett  
City Attorney



**CITY OF NAPA CITY COUNCIL  
AGENDA REPORT**

\_\_\_\_\_  
Calendar  
Agenda Item No. \_\_\_\_\_  
Date: August 2, 2016

To: Honorable Mayor and Members of City Council  
From: Rick Tooker, Community Development Director  
Prepared by: Jennifer La Liberte, Economic Development Manager  
Subject: Parking Impact Fees

**ISSUE STATEMENT:**

Adopt a resolution adopting parking impact fees for non-residential development in the Parking Exempt Zoning Overlay District; introduce and approve first reading of an ordinance amending Napa Municipal Code Chapter 15.94 relating to Parking Impact Fees; and determine the recommended action is exempt from CEQA.

**DISCUSSION:**

Background: Parking Impact Fee

In 2005, the City Council established a Parking Impact Fee ("PIF") on private development in the Parking Exempt District to help the City fund public parking structures that would be needed to serve demand generated by future private development. The PIF is applied to parking demand generated by net new non-residential square footage per the City's parking requirements. The dollar amount of the fee was based on a 2004 nexus study which analyzed the existing parking supply and parking surplus; future parking demand to be generated by approved but not-yet-constructed development projects as well as development in the planning stages; the anticipated parking shortfall, including spaces to be removed by the Flood Protection Project; the cost to provide the parking to fill the shortfall; and City funds on-hand to fund construction of parking. The 2004 nexus study concluded that 874 new spaces would be needed by 2015 to serve an anticipated 450,000 square feet of new development, and an additional deficit of approximately 550 spaces would occur beyond 2015 based on less certain development projections. The study indicated the cost to construct these spaces in structures would be \$30.6 million, or roughly \$22,000 per space.

At the time the fee was established, the Council was concerned about slowing down private investment momentum and did not want the fee to deter downtown infill

## **ATTACHMENT 3**

development, and there was a lot of parking supply available. As such, the Council set the fee at \$7,500 per space with the intention of increasing the fee each year according to a construction cost index, with the expectation of raising approximately \$6.5 million by 2015 based on development projections and estimated gradual fee increases. At the time, the City had other funding sources and potential plans to offset costs of providing new parking, including former redevelopment agency bond financing. Since 2005, the fee has generated approximately \$1.15 million, which is not quite 20 percent of the projection. This is partly because of the national recession which delayed development for several years, and the fee did not increase annually but remained flat. In addition, two large development projects opted to construct on-site subterranean parking instead of paying the PIF (Napa Riverfront and Napa Square).

In May 2012 the Council adopted the Downtown Specific Plan which recommended future implementation measures to improve management of parking demand to free up existing supply. The measures included instituting a paid parking program, providing opportunities for valet programs and leasing of underutilized spaces, and improving wayfinding signage. The DSP also recommended measures to expand future parking supply such as evaluating the potential for expanding the Parking Exempt Overlay District ("PE District") so that new development would pay a parking impact fee, adjusting the PIF to match the actual cost of new parking, and constructing a new 300- to 400-space garage within the PE District.

Beginning in mid-2014, the City spent several months preparing the Downtown Parking Management Plan ("Parking Plan"), which built from the recommendations and baseline development projections in the DSP, adjusted for approved or constructed development since the DSP adoption. The Parking Plan implementation measures build from and supplement the DSP recommendations, providing more analysis, time frames and estimated costs to each measure. During the Council meeting on May 19, 2015, Council directed staff to implement the recommendations of the Parking Plan. The Parking Plan implementation summary is provided as Attachment 4.

On March 1, 2016, staff presented a report to Council with an update on Parking Plan implementation, funding, development projects in the planning pipeline and anticipated impacts to public parking, and parking supply expansion efforts by the City. At that meeting Council directed staff to return to Council with the policy items for consideration to amend the PE District and increase the Parking Impact Fee. (As a separate matter before the Council, the proposed amendment to the PE District to include six parcels on north Main Street will be presented for consideration.) At the March 1<sup>st</sup> meeting, the Council discussed the feasibility of adopting a parking fee in the range of \$20,000 to \$25,000 per space, based on the analysis included in the draft Nexus Study attached to the report to Council.

### **City Parking Funds**

The parking fund balance will be approximately \$8.05 million at June 30, 2017 (see Attachment 5, City Parking Funds). One-time contributions include the Archer hotel license fees (\$3.15 million) to be paid prior to occupancy, and funds previously paid by

## **ATTACHMENT 3**

the Flood District to mitigate the removal of approximately 120 parking spaces for construction of the bypass channel (\$3.66 million). Additional revenue sources include the Downtown Parking Benefit Zone 1 (2005) which is an assessment on business licenses within the zone boundary (\$223,000), and the Andaz hotel parking license revenue (\$353,000). The remainder of the revenue comprising the parking fund is from the PIF, with a current fund balance of \$1.15 million.

Based on the analysis set forth in the Nexus Study (see Attachment 3, "Nexus Study"), staff recommends that Council approve an updated PIF in the amount of \$23,000 per parking space. If the PIF is established at \$23,000 per space, it would generate an additional \$5 million in revenue to the parking fund as building permits are issued, assuming all pipeline projects are built (as summarized below). For comparison, if the fee remains at the current amount, the parking fund would receive approximately \$1.6 million, a delta of \$3.4 million. If the fee was increased to \$20,000 per space, it would generate approximately \$4.4 million; and if the fee was increased to \$25,000 per space, it would generate approximately \$5.5 million.

Longer term, in addition to building permits that generate PIF revenue, the City will receive ongoing parking license revenue from the Andaz hotel which will generate \$1.9 million through June 2039. The parking meter program is being developed with an expected launch in 2017 which may provide supplemental revenue to support new parking over time. Other funding options are less certain and defined such as public-private partnerships or mechanisms to finance infrastructure needs.

### **Increasing the Parking Impact Fee and Nexus**

In conjunction with the Parking Plan, Walker Parking Consultants prepared the "Downtown Napa Parking Impact Fee Nexus Study" provided as Attachment 3 ("Nexus Study") in compliance with the Mitigation Fee Act, following similar methodology as the first nexus study for the 2005 fee. The Nexus Study analysis focused on parking demand and supply that serves the PE District. The analysis started with a physical inspection of available parking in the PE District on the "benchmark" date in July 2014; there was a 443-space parking surplus at the parking peak. The analysis applied a parking "credit" for vacant properties that have a right to use existing parking but were not generating parking demand on the benchmark date, and when occupied will generate demand but will not be required to pay a PIF. On the benchmark date, vacant structures totaled 154,000 square feet, most of it in the First Street shopping center, with a 377-space demand, and the Archer hotel which is under construction will lease 145 spaces in the Pearl Street Garage. When the credits were applied, the 443-space surplus became a 79-space parking deficit. The Nexus Study also estimated that future development within the PE District will generate a future demand for 876 spaces, which when added to the 79-space deficit, resulted in a total parking shortfall of 955 public spaces by 2030.

Much of this parking demand will be generated in the near-term (~12-36 months) as a result of completion of the Archer Hotel and leasing of the existing shops in the First Street shopping center, along with several other projects in the pipeline if all are

## ATTACHMENT 3

approved and constructed. These include the building at 1300 Main Street (approved, 57 spaces); expansion of 1339 Pearl Street (approved, 14 spaces); 1300 First Street building (under construction, 15 spaces); Bounty Hunter at First and Main streets (pre-application reviewed and in design, 46 spaces); expansion of the former McCaulou's building (in design, 6 spaces); the Silver buildings on Brown Street near Third Street (in design, 50 spaces); and a four-story office-over-retail project at 1330 Clay Street (application in review, 29 spaces). While much of the near-term demand can be served by existing parking facilities, the City recently constructed an interim surface parking lot with 147 spaces on the former CineDome and adjacent City-owned property to supplement the current parking supply. Staff is also working on the "CineDome Focus Area" master plan which will result in a final concept plan with recommended land uses, design guidelines, open space concepts, and a plan for structured parking. As recommended by the DSP, the goal is to provide 350-400 new public spaces in the future garage.

The Nexus Study indicates the hard cost to construct above-grade structured parking in the San Francisco Bay Area is approximately \$27,000 per space excluding land costs, based on actual costs for above-grade parking garages of approximately 400 spaces in the East Bay and San Francisco. When including soft costs (engineering and architectural design, inspections and materials testing, etc.) the per-space cost is closer to \$30,000, excluding land costs. The Nexus Study concluded that based on the anticipated parking shortfall of 955 spaces, multiplied by \$30,000 per space, and subtracting existing parking funds collected by the City as of June 30, 2017, the PIF should be \$23,500 for public parking built on land owned by the City, or \$32,500 if land value is included in the fee. If the City were to construct a stand-alone, 400-space parking structure today, the cost would be a minimum of \$12 million (\$30k per space) for a 'bare bones' above-grade garage, or closer to \$15 million (\$37.5k per space) if it incorporated subterranean parking, high-quality materials and architectural features, amenities like solar panels and electric vehicle charging stations, and public art.

As it did in 2005, the Council has discretion to set the fee lower than the Nexus Study recommendation, which then shifts any remaining cost of building parking to the City's general fund and any other available funding sources. Based on Council's input at the March 1, 2016, meeting regarding the possibility of establishing the fee in the range of \$20,000-\$25,000 per space, staff assumed the amount to be \$23,000 per space as reflected in the draft resolution included as Attachment 1. While this is a significant increase over the current \$7,500 per space, Council should consider the following:

- The actual cost to for the City to build structured parking is \$30,000 per space or higher. If subterranean parking is included which is a more efficient use of land, the cost is significantly higher per space. As described, the City has very few dedicated funding sources to supplement the PIF. Over time, if other funding sources are identified to offset future capital costs, the City has the ability to reduce the PIF.
- The City is planning to provide for future parking needs on land it already owns which is a contribution of land value of approximately \$9,000 per parking space.

## **ATTACHMENT 3**

While the City has identified a potential site for one parking structure (in the CineDome Focus Area), the Nexus Study identifies the need for a second parking structure for which a City-owned site is not yet identified.

- Only properties in the PE District pay the PIF. Property values in the PE District are significantly higher than outside the PE District, so the PIF is a one-time cost for ongoing equity that benefits the property owner over time.
- If developers were required to build parking on-site and the City wanted to retain Downtown's urban form, they would have to provide subterranean or podium parking wrapped with development. In either case, private construction costs would increase well beyond \$23,000 per space, and land that could support economic generators would be otherwise occupied with parking for an ongoing reduction in revenue. Costs would be passed on to tenants, including the ongoing maintenance costs of the parking.
- If the \$7,500 fee had been adjusted for inflation, the current fee would be \$9,225 per space, so at the current level the fee pays for even less parking than it did in 2005. Combined with the 2012 adoption of new DSP parking standards which reduced parking space requirements, the proposed increase is less onerous than it may appear.

In order to test the PIF's effect on development feasibility, Walker Parking Consultants prepared a hypothetical new construction scenario which describes a 30,000-square-foot mixed-use building on a 10,000-square-foot lot with ground floor retail and office on the second and third floors (see Attachment 6). The analysis concluded a fee level of \$25,500 would allow development to generate a return on investment of 20% or greater and provide funds for the City to build parking on land that it already owns. This fee amount could be lower provided the City has other funding to offset the costs.

Staff met with several developers and property owners to obtain input on the proposed PIF, and while most were comfortable, there were those in the planning pipeline who expressed concern about the potential impact to their project's cost and feasibility. If Council approves the recommended action and the ordinance is adopted on August 16<sup>th</sup>, the fee would go into effect on October 3<sup>rd</sup>. Projects in the pipeline can pre-pay the fee when they file a complete application for a building permit rather than at the time of issuance of a building permit. This is consistent with the practice for other City impact fees.

### **FINANCIAL IMPACTS:**

If an action is taken to increase the Parking Impact Fee, there would be an increase in revenue collected for each new development project that generates new parking demand in the PE District. At the recommended dollar amount of \$23,000 per parking space, the City will have to continue to supplement the actual cost of building new public parking. The dollar impact to the Parking Fund is difficult to estimate as staff is

## **ATTACHMENT 3**

unable to predict which projects may occur and whether or not some developers would propose to construct subterranean on-site parking to meet their parking requirement.

### **CEQA:**

The Community Development Director has determined that the Recommended Action is not in-and-of-itself a “project” (pursuant to CEQA Guidelines Section 15378) since it does not result in a physical change in the environment. However, the Recommended Action is part of a larger “project” that will be subject to environmental review in accordance with CEQA at the “earliest feasible time” prior to “approval” consistent with CEQA Guidelines Sections 15004 and 15352. The earliest feasible time for Council’s evaluation of environmental impacts will be after Council identifies a site for a parking structure that will serve development in the Downtown Parking Exempt District, and prior to Council’s approval of construction for that parking structure. Furthermore, development that is contemplated to create additional parking demand subject to the Parking Impact Fee was adequately examined in the Final Environmental Impact Report for the Downtown Napa Specific Plan (State Clearinghouse #2010042043) adopted by City Council on May 15, 2012; and the Mitigated Negative Declaration for the 1300 Main Street Building adopted by City Council on June 7, 2016 (Resolution R2016-80).

### **DOCUMENTS ATTACHED:**

1. Attachment 1: Resolution Adopting Parking Impact Fee
2. Attachment 2: Ordinance Amending NMC Chapter 15.104 re: Parking Impact Fee
3. Attachment 3: Parking Impact Fee Nexus Study
4. Attachment 4: Parking Plan: Implementation Plan Summary
5. Attachment 5: City Parking Funds
6. Attachment 6: Development Feasibility Example

### **NOTIFICATION:**

Numerous meetings on this subject were held with stakeholders from July 2014 through July 2016. The issue also was discussed at the March 1, 2016 Council meeting under Administrative Reports. This subject was placed on the agenda and displayed for public review at least 72 hours prior to the meeting, and a public notice was published in the Napa Valley Register 10 days prior to the hearing and again 5 days prior to the hearing in accordance with Government Code Section 6062a.

### **RECOMMENDED ACTION:**

City staff recommends that the City Council move, second and approve each of the actions set forth below, in the form of the following motion. Move to:

1. Adopt a Resolution Adopting a Parking Impact Fee for Nonresidential Development in the Parking Exempt District



## **ATTACHMENT 3**

2. Approve the first reading and introduction of an Ordinance Amending Napa Municipal Code Chapter 15.104 "Parking Impact Fee on Nonresidential Development in the Parking Exempt Overlay District"





Via Facsimile: mbarrett@Cityofnapa.org

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Refer To File #: 502286-0001

August 15, 2016

Michael W. Barrett  
City Attorney  
City of Napa  
955 School St.  
Napa, CA 94559  
Fax: (707) 257-9274

Re: *Proposed Resolution Adopting a Parking Impact Fee and Related Ordinances*

Michael,

It was good to see you at the City Council meeting last week. Thanks also for the phone call afterward; I appreciate that you are giving the "timing" of the adoption and effective date of the proposed ordinances and the resolution some additional thought.

As I stressed during our telephone call and in our letter to the City Council, we believe that under controlling law, the resolution adopting the increased parking impact fees can only be adopted after the ordinance replacing the existing fee ordinance and the ordinance expanding the geographic scope of the Parking Exempt Overlay District take legal effect (i.e., 30 days after adoption of the ordinances, assuming publication 15 days after adoption).

This is because the ordinances form the legal foundation and basis for the new parking fee resolution, which foundation will not be in existence until the new ordinances take legal effect.

For example, as noted in our letter dated August 2, 2016, the new fee ordinance reads similarly to, and obviously was prepared in concert with, the new approach to parking fees set forth in the new fee resolution. Likewise, the nexus study for the new fee resolution assumed parking from the expanded Parking Exempt Overlay District to justify the new fee, which expansion (and increased parking need) does not take place until the new ordinance takes legal effect.

In short, adopting the parking impact fee resolution before the ordinance setting up the new legal protocol and justification takes legal effect and before the ordinance that expands the actual Parking Exempt Overlay District go into effect would place the City in the untenable position of adopting a new parking impact fee that does not follow the existing fee ordinance and that does not demonstrably bear a nexus to the existing area (pre-new expanded area) to which it applies.

Michael Barrett  
Page 2

Thank you again for the opportunity to discuss this with you. Please make sure this letter is made a part of the administrative record.

Respectfully,



Michael Patrick Durkee  
of Nossaman LLP

MPD:snc



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(707) 255-1040 Fax (707) 252-5330

September 9, 2016

City of Napa Council  
City Hall Council Chambers  
955 School Street  
Napa, CA 94559

**RE: Parking Impact Fees**

Dear Mayor Techel and Councilmembers:

The North Bay Association of REALTORS® (NorBAR) has been active in land use and business issues throughout Napa. Our organization represents the interests of current and future property owners. NorBAR is therefore interested in the city's efforts to support a vibrant downtown.

NorBAR is concerned that the City of Napa is proposing to increase the parking impact fees in the Parking Exempt Zoning Overlay District by too high a price at too fast a pace. We understand that the city must raise significant revenue to maintain the pace of demand for new parking spaces. We are concerned that increasing the individual parking impact fee from \$7,500 to \$23,000 is too big a shock. The significant increase could also impact any builders intending to develop at the previous impact fee price.

NorBAR applauds staff and council for understanding the need to fund infrastructure. The council is correct to adjust parking impact fees; however, this should be one of many revenue sources with impact fees increasing at a more gradual pace.

Please feel free to contact Daniel Sanchez (707) 324-6610 or [daniel@northbayrealtors.org](mailto:daniel@northbayrealtors.org), with the North Bay Association of REALTORS®, to discuss this proposal.

Chris Wunderlich  
Chair, Local Government Relations Committee  
North Bay Association of REALTORS®



CITY OF NAPA CITY COUNCIL  
**AGENDA REPORT**

PUBLIC HEARING  
AGENDA ITEM 7.B.  
Date: September 20, 2016

To: Honorable Mayor and Members of City Council

From: Rick Tooker, Community Development Director

Prepared by: Stephanie Gaul, Management Analyst II

Subject: Consolidated Annual Performance Evaluation Report (CAPER)

**ISSUE STATEMENT:**

Adopt a resolution approving the CDBG Fiscal Year 2015-2016 Consolidated Annual Performance Evaluation Report (the “CAPER”) with the addition of public hearing comments and authorizing staff to submit the report to HUD and determine that the recommended action is exempt from CEQA.

**DISCUSSION:**

The City’s 2015-2020 Consolidated Plan identifies housing needs and problems in the community, sets priorities and strategies, allocates resources under U. S. Department of Housing and Urban Development (“HUD”) funded programs and provides an annual plan to track how resources will be spent and goals accomplished. As required by HUD, a Consolidated Annual Performance Evaluation Report (“CAPER”) must be prepared by all cities receiving entitlement funds from HUD, such as Community Development Block Grant (“CDBG”) and HOME Investment Partnership (“HOME”) funds.

The CAPER is intended to review the City’s progress towards achieving the goals outlined in its adopted 2015-2020 Consolidated Plan. The City is required to submit this report because of its receipt of an annual grant of CDBG funds.

**CDBG Funding**

During the 2015-16 program year, the City was allocated \$640,129 in CDBG entitlement funds. Additionally, while the City had anticipated receiving \$35,000 in program income from the revolving loan fund, the City ultimately received \$95,498 from loan repayments.

**CDBG and Other Accomplishments**

- The City provided \$447,663 in funding for Community Action Napa Valley (CANV) for operation of the homeless shelter system. This included \$76,338 from the CDBG Fund to operate the Samaritan Family Shelter and \$371,325 from the City’s General Fund to assist other homeless facilities. The CDBG funds assisted 116 persons during the program year at the Samaritan Family Shelter.

- The Napa Emergency Women's Services (NEWS) received \$30,681 in CDBG funding for bilingual counseling services for battered persons and children. The funding assisted 78 persons.
- Fair Housing Napa Valley (FHNV) received \$10,000 in CDBG funds for fair housing assistance, mediation and education of fair housing. In addition, FHNV received \$45,000 from the Housing Authority and \$10,000 from the City's General Fund for landlord tenant mediation services and to assist in the preservation of affordable mobile home space rent. FHNV assisted 1,716 households during the program year.
- The City's Housing Rehabilitation program completed two rehabilitation projects under the CDBG Loan Program and 21 projects under the CDBG Emergency Repair Grant Program totaling \$148,375.
- The Public Works Department Sidewalk Infill Program installed 1,407 linear feet of sidewalk and 37 ADA ramps. Sidewalk and ADA ramp work was completed in the ABC Streets neighborhood and the St. John's neighborhood, both of which are Low/Mod census tract block groups.
- State CalHome and HOME funds provided down payment assistance loans totaling \$1,023,920 to 12 low- and moderate-income first time homebuyers. In addition, State CalHome funds assisted an additional nine households with housing rehabilitation loans.

#### CDBG Projects in Progress

The Public Works Department Sidewalk Infill project in the St. John's neighborhood was substantially completed in the 2015-16 program year. It is expected to be complete by fall 2016. The \$100,000 in CDBG funds was matched with \$392,338 of General Fund monies, and all CDBG funds were expended by June 30, 2016.

#### CDBG Citizens Advisory Committee

The CAPER was reviewed by the CDBG Citizens' Advisory Committee on August 29, 2016.

#### **FINANCIAL IMPACTS:**

None.

#### **CEQA:**

The Community Development Director has determined that the Recommended Action described in this Agenda Report is not subject to CEQA, pursuant to CEQA Guidelines Section 15060(c).

#### **DOCUMENTS ATTACHED:**

1. Attachment 1: Resolution authorizing approval of the Consolidated Annual Performance Evaluation Report (CAPER) with Exhibit A (CAPER)



**NOTIFICATION:**

The CDBG Citizens' Advisory Committee reviewed the draft CAPER at a public meeting on August 29, 2016. In addition, a public notice was published in the Napa Valley Register on August 26, 2016. Notices were also placed on the City's website and copies were posted at the Napa City County Library. Notices in Spanish were posted at Puertas Abiertas and two Spanish markets. Copies of the CAPER were made available at the Housing Division and the library and posted on the Housing Division's page on the City's website.

**RECOMMENDED ACTION:**

Staff recommends that the City Council move, second and approve each of the actions set forth below, in the form of the following motion. Move to:

Adopt a resolution authorizing approval of the Consolidated Annual Performance Evaluation Report (CAPER) with the addition of public hearing comments and authorizing staff to submit the report to HUD.



RESOLUTION R2016-\_\_

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
NAPA, STATE OF CALIFORNIA, AUTHORIZING  
APPROVAL OF THE CONSOLIDATED ANNUAL  
PERFORMANCE EVALUATION REPORT (CAPER) WITH  
THE ADDITION OF PUBLIC HEARING COMMENTS AND  
AUTHORIZING STAFF TO SUBMIT THE REPORT TO HUD

WHEREAS, the Consolidated Annual Performance Evaluation Report (CAPER) for the 2015-2016 program year has been prepared as required by the Federal Department of Housing and Urban Development (HUD); and

WHEREAS, the CAPER is an annual report that reviews the success of the City in achieving the goals outlined in the 2015-2020 Five-Year Consolidated Plan; and

WHEREAS, the City is required to submit this report because of its receipt of an annual grant of Community Development Block Grant funds, and

WHEREAS, the Community Development Block Grant Citizen's Committee held a public meeting on the draft CAPER on August 29, 2016; and

WHEREAS, the City Council of the City of Napa, State of California, held a noticed public hearing on the CAPER on September 20, 2016; and

WHEREAS, the City Council has considered all information related to this matter, as presented at the public meetings of the City Council identified herein, including any supporting reports by City Staff, and any information provided during public meetings.

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

1. The City Council hereby finds that the facts set forth in the recitals to this Resolution are true and correct, and establish the factual basis for the City Council's adoption of this Resolution.

2. The Consolidated Annual Performance Evaluation Report is attached as Exhibit "A".

3. The City Council hereby approves the Consolidated Annual Performance Evaluation Report, for the 2015-2016 program year labeled as Exhibit "A" and incorporated by reference.

4. The City Manager is hereby authorized to insert into the approved Consolidated Annual Performance Report for the 2015-2016 program year a summary of public input provided during the public hearing of September 20, 2016.

## ATTACHMENT 1

5. The City Council hereby delegates authority to the City Manager, or the City Manager's duly authorized designee, to submit the documents to HUD.

6. This Resolution shall take effect immediately upon its adoption.

I HEREBY CERTIFY that the foregoing Resolution was duly adopted by the City Council of the City of Napa at a public meeting of said City Council held on the 20th day of September, 2016, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST: \_\_\_\_\_  
Dorothy Roberts  
City Clerk

Approved as to form:

\_\_\_\_\_  
Michael W. Barrett  
City Attorney



# City of Napa Consolidated Annual Performance Evaluation Report (CAPER) 2015-2016

Submission to: U.S. Department of Housing and Urban Development  
September 2016

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Prepared by: City of Napa Community Development Department

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## CR-05 - Goals and Outcomes

### **Progress the jurisdiction has made in carrying out its strategic plan and its action plan.**

#### **91.520(a)**

This could be an overview that includes major initiatives and highlights that were proposed and executed throughout the program year.

The Consolidated Annual Performance Evaluation Report ("CAPER") reports the City's success in meeting the housing and social service goals contained in the Consolidated Plan. The CAPER also assesses the City's progress in carrying out priorities of assistance identified in Annual Action Plan ("Annual Plan"). The 2015-16 CAPER identifies the actions the City has taken and accomplishments made during the first year of the 2015-2020 Consolidated Plan.

The 2015-16 Annual Plan described actions to take place during the year to meet under-served needs, foster and maintain affordable housing, evaluate and reduce lead-based paint hazards, reduce the number of poverty-level families, develop an institutional structure, enhance fair housing choice within the community and enhance coordination between public and private housing and social service agencies.

As a Community Development Block Grant ("CDBG") entitlement community, the City of Napa is required to submit an annual CAPER. The City, while not a direct recipient of HOME funds, had two active HOME grants through the State of California. During this reporting period, the two HOME grants provided mortgage assistance to seven first time homebuyers. The City additionally had two active State of California CalHome grants. In the 2015-16 program year, the City assisted five first time homebuyers with CalHome funds and nine homeowners were provided loans for rehabilitation with CalHome funds. The City did not receive HOPWA or ESG funding.

In 2015-16, the City was allocated \$640,129 in CDBG entitlement funds and received \$95,498 in program income from CDBG revolving loan funds.

During the 2015-16 program year, the City allocated \$393,432 to Community Development activities. The installation of new sidewalks in the ABC streets neighborhood, funded by CDBG in 2013-14 and 2014-15, was completed in the 2015-16 program year. In addition, the sidewalk infill and ADA ramp project in the St. John's neighborhood, funded by CDBG in 2015-16, was substantially completed in the 2015-16 program year and is expected to be fully completed by fall 2016. The Infill and ADA Accessibility program spent a total of \$193,373, including utilizing prior year's allocations, to install ADA compliant ramps and to remove barriers in Low/Moderate census tract block groups.

Additional Community Development activities included residential rehabilitation projects completed through the Housing Rehabilitation Loan Program and Emergency Home Repair Grant Program. This year, under the loan program, one owner-occupied single family residence was rehabilitated and a second owner-occupied rehabilitation project started the previous year was completed. None of the

housing rehabilitation projects in this program year involved permanent displacement. The City continued to operate the grant program that provides grants up to \$5,000 for low- and moderate-income homeowners. In the 2015-16 program year, a total of 21 single family residence grants were completed. The loan and grant programs expended a total of \$148,375.

In the 2015-16 program year, three Public Service activities were funded: the Community Action Napa Valley (CANV) Samaritan Family Shelter, the Napa Emergency Women's Services Domestic Violence Shelter Bilingual Counselor, and Fair Housing Napa Valley. The Public Service expenditures were within the program regulation limitations.

In the 2015-16 program year, CDBG Administration was funded under the Planning and Administration category. These expenditures were within the program regulation limitations.

**Comparison of the proposed versus actual outcomes for each outcome measure submitted with the consolidated plan and explain, if applicable, why progress was not made toward meeting goals and objectives. 91.520(g)**

Categories, priority levels, funding sources and amounts, outcomes/objectives, goal outcome indicators, units of measure, targets, actual outcomes/outputs, and percentage completed for each of the grantee's program year goals.



Goal	Category	Source / Amount	Indicator	Unit of Measure	Expected – Strategic Plan	Actual – Strategic Plan	Percent Complete	Expected – Program Year	Actual – Program Year	Percent Complete
Emergency shelter services	Homeless	CDBG: \$76,338	Homeless Person Overnight Shelter	Persons Assisted	425	116	27.29%	85	116	136.47%
Fair housing activities	Non-Housing Community Development	CDBG: \$10,000	Public service activities other than Low/Moderate Income Housing Benefit	Persons Assisted	225	1716	762.67%	45	1716	3,813.33%
Housing rehabilitation for families and seniors	Affordable Housing Non-Homeless Special Needs	CDBG: \$293,432	Homeowner Housing Rehabilitated	Household Housing Unit	200	23	11.50%	40	23	57.50%
In-fill sidewalks in low-income neighborhoods	Non-Housing Community Development	CDBG: \$100,000	Public Facility or Infrastructure Activities other than Low/Moderate Income Housing Benefit	Persons Assisted	3750	5570	148.53%	750	5570	742.67%
Outreach/referral for Latino/Hispanic residents	Homeless Non-Homeless Special Needs Victims of domestic violence	CDBG: \$30,681	Homeless Person Overnight Shelter	Persons Assisted	875	78	8.91%	175	78	44.57%

Table 1 - Accomplishments – Program Year &amp; Strategic Plan to Date

**Assess how the jurisdiction's use of funds, particularly CDBG, addresses the priorities and specific objectives identified in the plan, giving special attention to the highest priority activities identified.**

In the 2015-16 program year the City was allocated \$640,129 in CDBG entitlement funds. The City anticipated a receipt of \$35,000 in program income from CDBG revolving loan funds and received \$95,498 in program income for the revolving loan fund.

The CANV Samaritan Family Shelter received priority funding from the CDBG Program. A total of \$76,338 in CDBG funds was expended towards operation of the CANV family shelter. The City provided additional funding for the homeless shelter from other funds. The funding provided by other sources is discussed in CR-25.

A total of \$30,681 in CDBG funds was expended for the Napa Emergency Women's Shelter (NEWS). Funds were used for bilingual counseling services for victims of domestic violence.

In addition to shelter funding, \$10,000 in CDBG funds were provided to Fair Housing Napa Valley for fair housing services including landlord-tenant mediation and fair housing education and outreach.

The City allocated \$100,000 for sidewalk and ADA ramp installations in the eligible neighborhoods. A total of \$193,373 was spent in the program year which installed 1,407 lineal feet of new sidewalk and 37 ADA ramps. This included the completion of the ABC streets neighborhood project which was awarded CDBG funding in 2013-14 and 2014-15.

The Annual Plan allocated \$293,432 in funding for delivering a housing rehabilitation program administered by the City's Housing Division. The rehabilitation of single and multifamily homes is funded through a revolving loan program that was originally capitalized with CDBG funds. Two loans, one of which began construction in the previous fiscal year, were completed during the 2015-16 program year. In addition to the loans delivered, 21 individuals and families received assistance under the grant program. The rehabilitation programs spent a total of \$148,375.

All activities as reported in the Annual Action Plan for the 2015-16 program year have now been completed with the exception of the Sidewalk Infill and ADA Accessibility project. This project was only partially funded with CDBG funds and is anticipated to be completed by fall 2016. The City has met all HUD timing requirements in its CDBG expenditures and IDIS reporting.

## CR-10 - Racial and Ethnic composition of families assisted

Describe the families assisted (including the racial and ethnic status of families assisted).

91.520(a)

	CDBG
White	1,789
Black or African American	84
Asian	7
American Indian or American Native	18
Native Hawaiian or Other Pacific Islander	35
<b>Total</b>	<b>1,933</b>
Hispanic	1,004
Not Hispanic	929

**Table 1 – Table of assistance to racial and ethnic populations by source of funds**

### Narrative

Reflecting the fact that Hispanics form the largest minority in Napa's population, some of the activities served a large number of Hispanics. The U.S. Census estimates that a total of 32% of the Napa population was Hispanic as of July 1, 2015. The NEWS Bilingual Counselor, CANV Homeless Family Shelter, and Fair Housing served a greater percentage of Hispanics than is represented in the total Napa population. Additionally, the Public Works Infill Sidewalk and ADA Project completed work in a low/mod census tract that is estimated as 78% Hispanic.

## CR-15 - Resources and Investments 91.520(a)

### Identify the resources made available

Source of Funds	Source	Resources Made Available	Amount Expended During Program Year
CDBG		2,700,516	645,258
Other	City of Napa Housing Trust Fund	900,000	1,286,959

Table 2 – Resources Made Available

### Narrative

Many of the activities that the City funded through CDBG required additional public and private resources, and CDBG funds were used to leverage these other funding sources. The City utilized CDBG funds for a range of activities during the 2015-16 program year, including housing rehabilitation, fair housing services, and emergency shelter operations, consistent with activities that the City has funded in recent years.

The City has an Affordable Housing Impact Fee Fund that developers pay through development fees. The Affordable Housing Impact Fee Fund ended the Fiscal Year 2015-16 with an unaudited fund balance of \$3.8 million with approximately \$400,000 being reserved for specific housing projects. In Fiscal Year 2015-16 the Affordable Housing Impact Fee Fund collected approximately \$788,000 in developer paid fees. In June 2016 the City Council took action to increase the affordable housing impact fees. The impact to the fund from the increased fees is unknown at this time.

In May 2016 the City utilized the Affordable Housing Impact Fee Fund to repay the Street Improvement Fund for two surplus parcels that will be developed as affordable housing. The City then entered into a Disposition and Development Agreement with a developer for one parcel to be developed as a 48-unit rental housing development for low- and moderate-income families. The City entered into a Purchase and Sale Agreement with Habitat for Humanity for the second parcel to be developed as a single family home to be sold to a low- or moderate-income family. Both projects will include long term affordability restrictions.

### Identify the geographic distribution and location of investments

Target Area	Planned Percentage of Allocation	Actual Percentage of Allocation	Narrative Description

Table 3 – Identify the geographic distribution and location of investments

## **Narrative**

During the 2015-16 program year the City did not provide CDBG funding to any Target Areas. The only benefit to a particular geographic area was the funding of ADA ramps and sidewalk improvements in the 200503 Blk 2 area. This project qualifies for CDBG funding through the low/mod area benefit.

## Leveraging

**Explain how federal funds leveraged additional resources (private, state and local funds), including a description of how matching requirements were satisfied, as well as how any publicly owned land or property located within the jurisdiction that were used to address the needs identified in the plan.**

The City has a history of using CDBG funds to leverage General Fund revenue and other resources in order to fund fair housing services and emergency shelter operations, and leveraged City General Fund and County revenues for these services during the 2015-16 program year.

The sidewalk and ADA ramp project funded under the community development category was provided \$100,000 in CDBG funding. This was in addition to \$392,338 of local general fund money. Without the CDBG assistance, the project would have had a narrow scope of work and the benefit to the neighborhood would have been greatly reduced.

CANV and Fair Housing Napa Valley also received assistance from the City's General Fund to augment the services provided to the community. They received \$371,325 and \$10,000 respectively. The Housing Authority's Local Housing Fund also contributed \$45,000 to Fair Housing Napa Valley for fair housing services.

Housing rehabilitation loans and grants are not typically used to leverage other resources to fund individual projects, but instead provide a means for the residents to maintain existing housing resources. In the 2015-16 program year, CalHome funds were utilized to assist nine residents with rehabilitation, thereby increasing the total number of clients receiving rehabilitation assistance.

The City also continued to utilize the HOME and CalHome grants to provide deferred homebuyer assistance loans to low- and moderate-income homebuyers and leveraged the loans with private mortgage loans and homebuyer down payments.

There are several City-owned parcels that are in the process of being utilized to meet needs identified in the Consolidated Plan. These include the Fire Museum parcel in downtown, and several small parcels that are in the process of being developed for affordable housing.

### *Fire Museum*

The City of Napa's Successor Agency to the Napa Community Redevelopment Agency received approval of its Long Range Property Management Plan (LRPMP) by the State of California Department of Finance (DOF) as part of the redevelopment agency dissolution process. One site in the LRPMP, located at 1201 Main Street, was acquired by the Redevelopment Agency in the late 1970s using HUD Neighborhood Development Program (NDP) loan funds. The NDP Loan Close-out Agreement between HUD and Napa Community Redevelopment Agency states that any proceeds that result from the sale of properties acquired with NDP funds must revolve into the local Community Development Block Grant Program as program income. One of the two parcels that comprise the site has been sold, and the CDBG fund

received the associated program income as of July 1, 2016. The second parcel is currently in contract and is expected to close escrow in late 2016 after completion of due diligence. Upon close of escrow of the second parcel, the proceeds from the sale will be transferred to the CDBG fund. The City intends to utilize the CDBG program income in the 2016-17 program year to further the goals of the CDBG program.

#### *Remnant Parcels*

As stated in the narrative of resources available, the City currently owns two remnant parcels that have been identified as suitable for affordable housing. The City is currently in contract to sell both of those parcels to affordable housing developers. Once completed, both developments will carry long term affordability restrictions. The City will continue to pursue the potential for affordable housing development on available City owned parcels.

## CR-20 - Affordable Housing 91.520(b)

Evaluation of the jurisdiction's progress in providing affordable housing, including the number and types of families served, the number of extremely low-income, low-income, moderate-income, and middle-income persons served.

	One-Year Goal	Actual
Number of Homeless households to be provided affordable housing units	0	0
Number of Non-Homeless households to be provided affordable housing units	4	0
Number of Special-Needs households to be provided affordable housing units	36	40
<b>Total</b>	<b>40</b>	<b>40</b>

Table 4 – Number of Households

	One-Year Goal	Actual
Number of households supported through Rental Assistance	0	0
Number of households supported through The Production of New Units	0	0
Number of households supported through Rehab of Existing Units	40	32
Number of households supported through Acquisition of Existing Units	0	0
<b>Total</b>	<b>40</b>	<b>32</b>

Table 5 – Number of Households Supported

**Discuss the difference between goals and outcomes and problems encountered in meeting these goals.**

The City of Napa adopted its Analysis of Impediments to Fair Housing Report (AI) in 2015. The AI identifies housing affordability, special needs housing, land use, zoning, lack of knowledge of fair housing rights, and cultural and language barriers as impediments to fair housing choice.

### Housing Affordability

Napa has historically been one of the least affordable housing markets in the state and country. Home prices have rebounded to pre-recession levels. The median sales price increased from \$504,000 in June 2015 to \$563,000 in June 2016. This continues to be well above the price a low-income household can



afford. Additionally, stricter lender requirements for a minimum down payment, credit score, and the increased monthly cost of mortgage insurance all present obstacles for buyers.

Napa has historically had a low vacancy rate, an indicator of the strong demand and need for affordable rental housing. According to a vacancy rate survey conducted by the City's Planning Division in August 2016, vacancy rates have continued to remain extremely low. The vacancy rate for complexes with 50 or more units decreased slightly from 1.9% in July 2015 to 1.8% in July 2016. Monthly rents in Napa also rose approximately 3% in the past year.

Average rents are higher than low income households can afford. Low-income households are very likely to pay more than 30% of gross income to afford market rents in Napa. Managers of affordable rental complexes report 0% vacancy rates and long waiting lists. The Housing Authority reports a six year wait list for Section 8 rental assistance.

### Special Needs Housing

The cost and quality of renting can be a difficult burden for disabled and elderly residents on fixed incomes. Households with a disabled person often have reduced income, problems with the condition of the housing that they can afford, as well as problems locating housing that can accommodate their disability.

### Land Use and Zoning

Land use and zoning can limit development of affordable housing as well as its distribution throughout the community. Height limits can reduce the economic feasibility of affordable housing projects. Barriers could exist that preclude group homes in certain neighborhoods. The City has made progress in alleviating policy restrictions by amending the second unit ordinance as discussed in CR-35. Additional policy revisions are proposed for late 2016 that include reducing the threshold of review approvals based on the number of units in a proposed project and streamlining the process for preconstruction review.

### Cultural and Language Barriers

Latinos are the predominant minority group in the City, comprising 32%. Recent census estimates show that 14% of all households are linguistically isolated (having no person over the age of 14 within a household that speaks English very well), while 27% of all residents spoke a language other than English at home. Of those speaking a language other than English at home, the majority speak Spanish.

### **Discuss how these outcomes will impact future annual action plans.**

The City will continue to address the challenges of the housing market by making policy and budgetary changes. In the Fiscal Year 2016-17 the City has committed \$350,000 in general fund money to be contributed to affordable housing. This is in addition to the Affordable Housing Impact Fee Fund, and

remnant Redevelopment Low/Mod Funds, all of which are utilized for procurement of affordable housing within the City. With the approved increase to the Affordable Housing Impact Fee, the City anticipates additional funds to be contributed to affordable housing projects. The City will also continue to seek grants for first time homebuyer and rehabilitation programs which benefit the low- and moderate-income population.

With the unprecedented program income to the CDBG Fund expected in the 2016-17 program year from the sale of the Fire Museum property, the City will have a unique opportunity to allocate significant one-time funding to the program. With the high cost of housing and development of affordable housing, the City will prevalently publicize the available funds and encourage all eligible applicants to apply for funding.

**Include the number of extremely low-income, low-income, and moderate-income persons served by each activity where information on income by family size is required to determine the eligibility of the activity.**

Number of Persons Served	CDBG Actual	HOME Actual
Extremely Low-income	391	0
Low-income	759	0
Moderate-income	342	0
<b>Total</b>	<b>1,492</b>	<b>0</b>

**Table 6 – Number of Persons Served**

## **Narrative Information**

As illustrated on the chart, the activities primarily assisted very low-income (0% to 30% of median family income) and low-income (31% to 50% of median family income) households, with the majority being low-income. In addition to the persons served represented in Table 7, Fair Housing Napa Valley was unable to collect income data for an additional 441 clients. These 441 clients were reported as non-low/moderate income in IDIS accomplishments. The Sidewalk Infill and ADA Accessibility Program projects are both located in census tracts in which 51% or more of the population is low-income.

## **CR-25 - Homeless and Other Special Needs 91.220(d, e); 91.320(d, e); 91.520(c)**

**Evaluate the jurisdiction's progress in meeting its specific objectives for reducing and ending homelessness through:**

### **Reaching out to homeless persons (especially unsheltered persons) and assessing their individual needs**

Through the Continuum of Care Application, the Housing Authority secured a one-year renewal of the Shelter Plus Care grant that provides rental assistance for at least eight households.

The Veterans Home of Yountville continues to provide two beds on an expedited entry for homeless veterans. In exchange, Health and Human Services and the Veterans Home will provide case management to the veterans and assist them with finding permanent housing.

During the 2015-16 program year, the City used \$76,338 in CDBG funds toward operation of the Samaritan Family Shelter. The City also provided \$30,681 to the Napa Emergency Women's Shelter. This funding provides temporary shelter for individuals and families, and a bilingual counselor for battered persons and their children. This funding supported a total of 116 individuals who received emergency shelter at the homeless family shelter and 78 battered persons and their children who received shelter and bilingual counseling. The City also provided \$371,325 in general fund monies to support operation of the homeless shelter system.

### **Addressing the emergency shelter and transitional housing needs of homeless persons**

As in past years, additional incremental vouchers issued by HUD have been difficult to receive. The Housing Authority continues to administer 30 vouchers from HUD under the Mainstream Program. The Housing Authority also administers 100 vouchers for Rental Assistance for Non-Elderly Persons with Disabilities.

Progress Foundation continues to operate Hartle Court, which was completed in June 2012. Hartle Court is a 24-unit supportive housing project which was constructed through a number of funding sources including the Housing Authority, Napa County, the State Department of Housing and Community Development, and the California Housing Finance Agency. All of the units are restricted to low-income persons. Six of the units are transitional housing for foster youth (18-24) who are aging out of the foster care system. The remaining 18 units are permanent housing for people with mental illness.

**Helping low-income individuals and families avoid becoming homeless, especially extremely low-income individuals and families and those who are: likely to become homeless after being discharged from publicly funded institutions and systems of care (such as health care facilities, mental health facilities, foster care and other youth facilities, and corrections programs and institutions); and, receiving assistance from public or private agencies that**

## **address housing, health, social services, employment, education, or youth needs**

The Napa City and County Continuum of Care received \$712,708 from the 2015 Continuum of Care Notice of Funding Availability (CoC) Competition, which is directed toward permanent supportive housing and transitional housing to address and prevent homelessness as part of the Super NOFA. This was a 15% increase in funding over the previous year.

The Housing Authority received a renewal of the 2015 Shelter Plus Care grant under the CoC Competition, which provided permanent supportive housing in the form of rental assistance and supportive services to homeless or potentially homeless individuals and families. The program was awarded \$119,287 and will provide rental assistance for at least eight homeless individuals or families.

In addition, the City Police Department received CoC funding through the Home to Stay project administered by HHSA. This project received \$157,363 from the CoC program to provide rapid re-housing rental assistance and crucial supportive services to individuals and families who are homeless and chronically homeless in Napa County. Home to Stay focuses on moving people from homelessness into housing and assisting them in obtaining employment, health and recovery services, and permanent housing. The Police Department, along with Napa Emergency Women's Services and CANV, provides the necessary supportive services for Home to Stay participants, including helping them to develop and meet their goals and budgets; providing transportation to medical, mental health, housing, and employment appointments; assisting them in accessing to mainstream benefits.

**Helping homeless persons (especially chronically homeless individuals and families, families with children, veterans and their families, and unaccompanied youth) make the transition to permanent housing and independent living, including shortening the period of time that individuals and families experience homelessness, facilitating access for homeless individuals and families to affordable housing units, and preventing individuals and families who were recently homeless from becoming homeless again**

Aside from City projects, Buckelew Programs, an organization which focuses on assisting individuals with mental illness, addiction, and co-occurring disorders, received \$243,499 to provide permanent housing and supportive services in Napa County for formerly homeless adults who experience a mental illness. The supportive services are aimed at assisting individuals to learn life skills and successfully transition from homelessness. Skill building and support enable clients to increase self-sufficiency and ensure their ability to maintain housing in the community. Other supportive services help to address mental health issues through education on medication and symptom management, help eligible individuals to connect with mainstream benefits and other community support such as local foodbanks.

The County of Napa received an additional bonus grant for \$119,554 for permanent supportive housing. Finally, the County received \$35,887 to continue developing its Homeless Management Information System to track and measure program outcomes and \$18,064 in planning funds to improve CoC coordination and effectiveness. Additionally, the County received \$19,054 for coordinated assessment

that is intended to be used for a new Homeless System Coordinator position.

In addition to the programs described above, the City and County are in the process of redesigning the community's homeless system by bringing in national experts, Corporation for Supportive Housing (CSH) and National Alliance to End Homelessness (NAEH) to review the community's homeless system, make recommend changes to align the system with national best practices, and to move towards a housing-focused homeless system. City and County staff have already begun working together to implement several of these recommended changes to the homeless system. The County is in the process of issuing a Request for Proposals for a shelter operator and a flex pool operator which will formalize the expectations for the system change. The County is currently recruiting for a Homeless System Coordinator, which will be funded jointly by the City and County. Additionally, the County has secured a number of grants including grants, as described above, to expand mental health residential treatment capacity and implement mental health crisis stabilization and other grants which link housing to health care. The County has also applied for a Whole Person Health grant that is being offered through Medi-Cal and would provide supportive housing services to chronically homeless and disabled homeless.

## **CR-30 - Public Housing 91.220(h); 91.320(j)**

### **Actions taken to address the needs of public housing**

This section does not apply. Neither the City nor the Housing Authority owns any public housing as identified by HUD.

However, the Housing Authority of the City of Napa has owned and operated the Laurel Manor Apartment complex for 34 years. Laurel Manor provides 49 units of housing for low-income seniors. Property management is contracted to an independent property management company; the rest of Laurel Manor's operations are managed by the Housing Authority.

### **Actions taken to encourage public housing residents to become more involved in management and participate in homeownership**

This section does not apply. Neither the City nor the Housing Authority owns any public housing as identified by HUD.

### **Actions taken to provide assistance to troubled PHAs**

This section does not apply. Neither the City nor the Housing Authority owns any public housing as identified by HUD.

## **CR-35 - Other Actions 91.220(j)-(k); 91.320(i)-(j)**

**Actions taken to remove or ameliorate the negative effects of public policies that serve as barriers to affordable housing such as land use controls, tax policies affecting land, zoning ordinances, building codes, fees and charges, growth limitations, and policies affecting the return on residential investment. 91.220 (j); 91.320 (i)**

The following policies were proposed to “remove and ameliorate” the negative effects of public policies, rules and regulations impacting the availability of affordable housing.

### Housing Impact Fees (Inclusionary Housing)

As described in CR-15, the City has a Housing Impact Fee Ordinance that requires both residential and commercial developers to either pay a fee on new development or provide an alternative equivalent, such as providing units on site. Fees collected go into the Impact Fee Fund to continue to fund development of affordable housing.

### Land Banking Program

The City of Napa has identified land banking sites that have the potential to be used for the development of new affordable housing projects.

The City currently owns 5.10 acres of property on Shoreline Drive. This property will not be developable until future flood work is complete. Once this future flood work is complete, it is estimated that 75% of the site will be available for development of affordable housing.

In addition, the Housing Authority currently owns a 5.37 acre parcel located on Lincoln Avenue. This parcel adjoins another 5.08 acre parcel that is owned by Napa Valley Community Housing (NVCH), a local nonprofit housing developer. The Housing Authority has entered into a Development Agreement with NVCH that will enable them to join the two parcels and develop an affordable housing project. This can not occur until flood control improvements are completed. When the flood improvements are completed, allowing development of the site, it is planned that the housing project will consist of a mix of single family for sale housing and multi-family rental housing. The total project has a potential of adding 264 to 313 units to the affordable housing inventory.

### Housing Element, Vacant Sites, Zoning and Planning

The City adopted an updated Housing Element update in March 2015. The Housing Element carries forward and updates many programs from the prior Housing Element and includes added actions. One of the most notable changes that occurred just prior to adoption of the 2009 Housing Element was an increase in densities on several Multi Family zoned sites to 20+ units per acre, and an increase in *minimum* densities in most mixed use areas throughout the City from 10 to 20 units/acre.

The City adopted changes to its second unit ordinance to facilitate the development of second units by allowing ministerial approval if certain standards were met. The Housing Element update recommended further changes to encourage second unit development, in particular recommending the elimination of owner occupancy requirements and/or easing of parking requirements.

The City's Zoning Ordinance has zoned all multi-family sites to a Multi Family District that does not require Use Permits; provides an Affordable Housing Overlay Zone on several sites throughout the city where higher densities and greater affordability is required; includes height bonus provisions for Downtown residential mixed use projects; has Single Room Occupancy (SRO) standards that make it easier than in the past to construct SRO projects; provides for accessory second units throughout the City consistent with State law; requires a Use Permit to convert rental housing to condominiums or non-residential uses; and provides flexibility in residential parking standards. The zoning ordinance was revised to provide more flexibility in finding locations for emergency shelters, transitional and supportive housing.

#### **Actions taken to address obstacles to meeting underserved needs. 91.220(k); 91.320(j)**

During the 2015-16 program year, the City's Housing Division continued to administer the First Time Homebuyer Down Payment Assistance Program using grants from the State of California HOME program and CalHome Program. The Housing Division assisted twelve low- and moderate-income households purchase their first homes with deferred loans totaling \$1,023,920.

The City continued its work with local nonprofits and other agencies to facilitate activities and projects benefiting special-need populations, including the homeless, seniors and the disabled. Listed below is a description of some of the actions taken during this period:

- In the area of homelessness, the City continued to participate with the Housing Authority in the Continuum of Care and supported the community efforts to end chronic homelessness. In the 2015-16 program year the City contributed both CDBG funds and City General Funds to CANV for the operation of its homeless shelter system.
- The City works with various County agencies and community organizations to coordinate the provision of housing assistance and supportive services to assist in reducing the number of households below the poverty line through self-sufficiency programs, job training programs, and counseling programs.
- Of the two homes rehabilitated through the CDBG Rehabilitation Loan Program, both are extremely low-income, both are disabled and one is occupied by elderly residents.

#### **Actions taken to reduce lead-based paint hazards. 91.220(k); 91.320(j)**

The Housing Rehabilitation Program Supervisor in charge of the rehabilitation loan and grant programs is a certified lead based paint inspector/risk assessor with the California Department of Public Health. Under the rehabilitation loan programs, all homes built before 1978 are tested. In addition,



contractors participating in the City housing programs must be trained and certified in the use of safe work practices involving lead-based paint.

During the 2015-16 program year, one pre-1978 housing unit was rehabilitated. The subject property was tested for lead-based paint and no lead hazards were found.

### **Actions taken to reduce the number of poverty-level families. 91.220(k); 91.320(j)**

The Housing Authority continues to support the Family Self-Sufficiency (FSS) Program, having repeatedly received grants from HUD for two FSS coordinator positions.

During the 2015-16 program year the FSS Program assisted 79 active participants, many of whom are attending school or are already employed. At June 30, 2016, \$140,581 was held in escrow for 36 families. A significant decrease in the number of families with positive escrow balances was seen in the program year because the prior year had an unprecedented amount of participants graduate from the program. During the reporting period, there were 12 graduating participants and \$76,259 in escrow funds were distributed. Ten participants are expected to graduate in the next fiscal year.

FSS participants are assessed individually and, with their program specialist, jointly create service plans to meet their self-sufficiency goals. Program specialists and participants keep in regular contact to motivate progress toward those goals and to connect participants with existing community services and education that will help them meet their educational, financial, health and employment needs. Many of these partner service agencies are members of the Program Coordinating Committee, which helps coordinate and facilitate access for FSS participants to these services.

Workforce Napa, the local one-stop, provides employment services for FSS participants. The one-stop helps job and job advancement seekers identify career interests and skills, create resumes and improve job interview skills, get technical training for higher paying jobs, enter an apprenticeship program, internship or on the job training, improve English language skills, and develop a career plan. FSS partners with other existing service agencies to offer participants additional workshops on topics ranging from credit repair to home ownership to affordable nutrition.

### **Actions taken to develop institutional structure. 91.220(k); 91.320(j)**

In the 2015-16 program year, the City participated with the Housing Authority and Napa County to eliminate gaps in institutional structures and to enhance coordination, especially in the areas of housing and migrant housing.

The City's Economic Development Division works in several areas to improve economic opportunity.

The City continues to participate with the Housing Authority in the Continuum of Care and supports the County's efforts to end chronic homelessness. The City provided \$371,325 in funds in addition to its

CDBG funding commitment to the homeless shelter system.

As discussed in CR-25, the City and County are in the process of redesigning the community's homeless system. The efforts will bring government and social services together to provide one coordinated system that aligns the system with national best practices and moves towards a housing-focused homeless system.

**Actions taken to enhance coordination between public and private housing and social service agencies. 91.220(k); 91.320(j)**

The City has worked with nonprofits, other governmental agencies, businesses and the general public in addressing the challenges of stabilizing the homeowner base within the community, improving the existing housing stock and improving the overall quality of life in neighborhoods in the City of Napa.

New Construction

In 2010 the City of Napa and County of Napa jointly issued a Notice of Funding Availability (NOFA) for funding for construction of affordable housing developments. The final project awarded funding under this NOFA was completed and occupied in March 2016. This affordable housing development provides 40 rental units for low-income households, as shown in Table 2.

Housing Rehabilitation

The Housing Rehabilitation and Lead-Based Paint Remediation program helps households create healthy living environments for families that are low- and moderate-income households. Thirty two single-family residences were rehabilitated in the 2015-16 program year.

Low Mod Job Activities

The City of Napa did not use any CDBG funds for low-mod job activities or any other economic development activities. The City's Economic Development Division provides outreach to the business community and acts as a liaison to business owners, retail and tourism marketing, private developers and planning.

Homeless Shelters

The City is assisting the homeless through the provision of both CDBG and General Fund resources by providing funding to CANV for the homeless shelter system. A total of 408 persons benefited from these services. The City is also addressing the issue of a homeless shelter for battered persons through support of a bilingual counselor in the domestic violence shelter. Seventy eight persons received services through this program.

As previously discussed, the City and County are in the process of redesigning the community's

homeless system which will enhance coordination between public and private providers.

### Project Nightingale

The Gasser Foundation, a local philanthropic organization, has acquired and is in the process of renovating a facility for medical respite care. The facility will provide 13 beds for those that have recently been discharged from a hospital and are at potential risk of homelessness with temporary on-site residential medical care. The project is a coordinated effort between the Gasser Foundation and the Catholic Charities of the Diocese of Santa Rosa. The organizations will work with local hospitals to receive patients who have been released from the hospital but are too frail to recover on the street.

### Performance Measurements and Outcomes

The City requires each sub recipient to identify quantifiable performance outcome measures for its projects. This will help determine the success of projects in creating change within the community over time. Detailed data is provided in individual project discussions regarding specific performance outcome measures as required by HUD.

### Barriers to Fulfilling Strategies

The state of the economy has had a negative impact on the City's ability to fulfill strategies, especially in the housing area. The prolonged economic downturn and the elimination of Redevelopment have resulted in budget cuts at the local and state levels, negatively impacting City financing and funding sources for community non-profits.

### **Identify actions taken to overcome the effects of any impediments identified in the jurisdictions analysis of impediments to fair housing choice. 91.520(a)**

As discussed in CR-20, the City of Napa adopted its Analysis of Impediments to Fair Housing Report (AI) in 2015. The AI identifies housing affordability, special needs housing, land use, zoning, lack of knowledge of fair housing rights, and cultural and language barriers as impediments to fair housing choice.

As discussed in CR-15 the City utilizes the Affordable Housing Impact Fee Fund to assist in providing affordable housing for the community. Additionally, HOME and CalHome grants are utilized to provide first time homebuyer assistance to low- and moderate-income families.

In addition to assisting in procuring affordable housing, the City has made progress to alleviate policy restrictions and encourage the development of affordable housing. This is discussed in further detail in CR-35.

The City and Housing Authority historically provides funding to Fair Housing Napa Valley to assist with

fair housing issues including landlord-tenant mediation services and education and outreach of fair housing laws. In the 2015-16 program year, the City provided additional funding to Fair Housing Napa Valley for technical assistance.

## **CR-40 - Monitoring 91.220 and 91.230**

**Describe the standards and procedures used to monitor activities carried out in furtherance of the plan and used to ensure long-term compliance with requirements of the programs involved, including minority business outreach and the comprehensive planning requirements**

The City of Napa ensures compliance with programming and planning requirements in a number of ways, including performance monitoring, financial monitoring, Davis-Bacon compliance and Environmental Review Compliance.

The City of Napa has standard procedures in place to monitor sub recipients. All sub recipients are required to maintain documentation on clients benefitting from activities funded through the CDBG program. Sub recipients remit Quarterly Performance reports to the City in which they certify that low- and moderate-income persons are being served. The Quarterly Performance Reports provide the number of persons served by income level and race and ethnicity. The City also requires that the sub recipients in public service set quantifiable goals for their unique service. These goals are also reported on the Quarterly Performance Report and staff works with sub recipients when the goals are not achieved. The reporting of the levels of achievement also assists the CDBG Citizen's Advisory Committee in making future funding decisions.

In addition to self-reporting of programs funded by CDBG, City staff performs annual on-site monitoring of sub recipients. Staff verifies that applicable laws and regulations are being followed as well as monitoring for performance, internal controls, and compliance with eligibility, environmental and wage requirements. Problems or weaknesses are noted and City staff works with sub recipients to resolve the issues in a timely manner.

## **Citizen Participation Plan 91.105(d); 91.115(d)**

**Describe the efforts to provide citizens with reasonable notice and an opportunity to comment on performance reports.**

There was a public comment period from August 26, 2016 through September 16, 2016 which allowed individuals to review and comment on the draft CAPER. A copy of the CAPER was placed on the City's website and copies were available at the Napa City County Library and the Housing Division office of the City of Napa. The CDBG Advisory Committee reviewed the CAPER on August 29, 2016 in a noticed public meeting. The City Council held a noticed public hearing on September 20, 2016 to allow for public comments and approve the CAPER report for submission to HUD.

An ad was published in the *Napa Valley Register* announcing the availability of the CAPER for public review and comment on August 26, 2016. Copies of the ads were sent to the Napa City County Library for posting. Announcements were also placed on the City of Napa's website.

In addition, notices in Spanish were placed at the local Spanish Markets (La Tapatia and La Morenita), and at Puertas Abiertas Community Resource Center.

At the public hearing on September 20, 2016, City Council received (to be completed) public comments.

**CR-45 - CDBG 91.520(c)**

**Specify the nature of, and reasons for, any changes in the jurisdiction's program objectives and indications of how the jurisdiction would change its programs as a result of its experiences.**

There were no changes in the Program Objectives for the 2015-16 program year.

**Does this Jurisdiction have any open Brownfields Economic Development Initiative (BEDI) grants?**

No

**[BEDI grantees] Describe accomplishments and program outcomes during the last year.**

