

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†
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\$ ____ % 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*

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

OFFICIAL STATEMENT

City of Napa
\$ _____^{*}
**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

^{*} 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 (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. 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 ⁽¹⁾	Refuse ⁽¹⁾	Recyclable Materials ⁽²⁾	Food Scraps & Green Waste	Total ⁽³⁾
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)⁽¹⁾

<u>Representative Residential Rates⁽²⁾</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⁽³⁾</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⁽³⁾</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 ⁽¹⁾	\$32.33
City of Calistoga	51.78
County of Napa (Zone 1)	27.34
City of Napa⁽²⁾	41.63
City of St. Helena	50.02
City of Vallejo ⁽³⁾	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 ⁽¹⁾
City of American Canyon	\$352.03
City of Calistoga	336.90
County of Napa (Zone 1)	400.44
City of Napa⁽²⁾	423.35
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 ⁽¹⁾	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 ⁽²⁾	29	299,371	1.6
Drop Box ⁽³⁾	101	3,148,081	17.5
Totals	23,018	\$17,970,049	100%

(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
Total	\$10,621,015	\$6,713,271	\$7,726,833

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)

	Audited				Unaudited
	2012	2013	2014	2015	2016
ASSETS					
<i>Current Assets</i>					
Cash & Investments ⁽¹⁾	\$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 ⁽²⁾	51,885	142,652	49,542	11,497	--
<i>Total Current Assets</i>	<u>13,462,222</u>	<u>15,073,999</u>	<u>13,727,234</u>	<u>9,900,107</u>	<u>11,040,216</u>
<i>Non-Current Assets</i>					
Restricted Cash & Investments ⁽³⁾	2,448,448	2,510,997	64,643	--	--
Capital Assets					
Nondepreciable ⁽⁴⁾	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>	<u>12,146,701</u>	<u>12,123,237</u>	<u>10,082,767</u>	<u>13,495,805</u>	<u>14,936,599</u>
TOTAL ASSETS	<u>25,608,923</u>	<u>27,197,236</u>	<u>23,810,001</u>	<u>23,395,912</u>	<u>25,976,815</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows related to pension ⁽⁵⁾	--	--	--	109,842	109,842
LIABILITIES					
<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>	<u>2,457,435</u>	<u>3,489,660</u>	<u>2,195,948</u>	<u>2,375,796</u>	<u>1,961,079</u>
<i>Non-Current Liabilities</i>					
Compensated absences	26,290	36,182	35,258	39,363	39,939
Net Pension Obligation ⁽⁵⁾				1,285,230	1,285,230
Long Term Debt					
Revenue bonds, net of unamortized issuance costs and discounts ⁽³⁾	3,530,668	3,077,784			
<i>Total Non-Current Liabilities</i>	<u>3,556,958</u>	<u>3,113,966</u>	<u>35,258</u>	<u>1,324,593</u>	<u>1,325,169</u>
TOTAL LIABILITIES	<u>6,014,393</u>	<u>6,603,626</u>	<u>2,231,206</u>	<u>3,700,389</u>	<u>3,286,248</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows related to pension ⁽⁵⁾	--	--	--	194,127	194,127
NET ASSETS					
Invested in capital assets (net of related debt) ⁽⁶⁾	8,166,033	8,570,453	10,082,767	13,495,805	14,936,599
Restricted ⁽³⁾			64,643		
Unrestricted	11,428,497	12,023,157	11,431,385	6,115,433	7,669,683
TOTAL NET ASSETS	<u>\$19,594,530</u>	<u>\$20,593,610</u>	<u>\$21,578,795</u>	<u>\$19,611,238</u>	<u>\$22,606,282</u>

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
REVENUE BY CATEGORY					
Charges for Services					
Collection Charges (rate revenue) ⁽¹⁾	\$16,469,927	\$16,596,244	\$16,699,303	\$17,255,525	\$19,454,030
Gate Fees ⁽²⁾	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 ⁽³⁾	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 ⁽⁴⁾	268,199	41,833	219,645	41,161	154,195
TOTAL REVENUES	24,832,884	24,503,532	24,347,126	24,279,054	26,653,236
OPERATING EXPENSES (excludes depreciation)					
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 ⁽⁵⁾	773,967	527,891	470,498	479,908	494,305
TOTAL OPERATING EXPENSES	20,623,149	20,968,110	20,793,042	21,346,926	21,448,827
NET REVENUES (REVENUES - OPERATING EXPENSES)	4,209,735	3,535,422	3,554,084	2,932,128	5,204,410
DEBT SERVICE CALCULATIONS					
Debt Service ⁽⁶⁾	665,567	664,842	662,838	--	--
DEBT SERVICE COVERAGE	6.3	5.3	5.4	N/A	N/A
Other Items⁽⁷⁾					
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
REVENUE BY CATEGORY					
Charges for Services					
Collection Charges (rate revenue) ⁽¹⁾	\$18,179,351	\$19,979,351	\$20,699,351	\$21,239,351	\$21,779,351
Gate Fees ⁽²⁾	1,900,000	2,200,000	2,200,000	2,200,000	2,200,000
Material Sales ⁽³⁾	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 ⁽⁴⁾	279,682	200,000	200,000	200,000	200,000
TOTAL REVENUES	25,289,219	27,009,090	27,445,645	27,824,287	28,199,782
OPERATING EXPENSES (excludes depreciation)					
Salaries and Wages ⁽⁵⁾	792,507	823,018	854,704	887,611	921,784
Benefits ⁽⁶⁾	353,353	371,021	389,572	409,051	429,503
Materials, Supplies & Services					
Payments to Contractor ⁽⁷⁾	14,884,693	15,956,131	16,496,284	16,962,691	17,195,509
Payments of Transfer tip fees ⁽⁸⁾	2,796,812	2,896,812	2,996,812	3,096,812	3,196,812
Payments for Materials ⁽⁹⁾	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Other Materials, Supplies & Services ⁽¹⁰⁾	960,845	900,000	922,500	945,563	969,202
Transfers Out – Admin Support from General Fund ⁽¹⁰⁾	509,134	528,736	549,092	570,232	592,186
TOTAL OPERATING EXPENSES	22,297,345	23,475,718	24,208,965	24,871,959	25,304,995
NET REVENUES (REVENUES - OPERATING EXPENSES)	2,991,873	3,533,371	3,246,680	2,952,327	2,894,787
DEBT SERVICE CALCULATIONS					
Debt Service ^{(12)*}	259,959	372,849	831,029	827,826	828,205
DEBT SERVICE COVERAGE*	11.5	9.5	3.9	3.6	3.5
Other Items⁽¹³⁾					
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 ⁽¹⁾	\$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 ⁽¹⁾	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
Napa	77,933	78,663	79,516	79,940	80,576
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)

	Retail Stores		Total All Outlets	
	Numbers of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
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 ⁽¹⁾	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⁽²⁾</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 ⁽³⁾	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.

CITY OF NAPA
Total Building Permit Valuations
(Valuations In Thousands)

	2011	2012	2013	2014	2015
<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.

NAPA COUNTY
Total Building Permit Valuations
(Valuations In Thousands)

	2011	2012	2013	2014	2015
<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. *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: _____