



AGENDA
SEPTEMBER 1, 2015
REGULAR MEETING
CITY COUNCIL
CITY OF YUBA CITY
AND SUCCESSOR AGENCY TO THE REDEVELOPMENT
AGENCY

5:00 P.M. – CLOSED SESSION: BUTTE ROOM
6:00 P.M. – REGULAR MEETING: COUNCIL CHAMBERS

MAYOR	• John Dukes
VICE MAYOR	• John Buckland
COUNCILMEMBER	• Stanley Cleveland, Jr
COUNCILMEMBER	• Preet Didbal
COUNCILMEMBER	• Kash Gill
CITY MANAGER	• Steven Kroeger
CITY ATTORNEY	• Timothy Hayes

1201 Civic Center Blvd
Yuba City CA 95993

Wheelchair Accessible



If you need assistance in order to attend the City Council meeting, or if you require auxiliary aids or services, e.g., hearing aids or signing services to make a presentation to the City Council, the City is happy to assist you. Please contact City offices at 530/822-4817 at least 72 hours in advance so such aids or services can be arranged. City Hall TTY: 530-822-4732

**AGENDA
REGULAR MEETING OF THE CITY COUNCIL
CITY OF YUBA CITY
COUNCIL CHAMBERS
SEPTEMBER 1, 2015
5:00 P.M. – CLOSED SESSION
6:00 P.M. – REGULAR MEETING**

Materials related to an item on this Agenda submitted to the Council after distribution of the agenda packet are available for public inspection in the City Clerk's office at 1201 Civic Center Blvd., Yuba City, during normal business hours. Such documents are also available on the City of Yuba City's website at www.yubacity.net subject to staff's availability to post the documents before the meeting.

Public Comment:

Any member of the public wishing to address the City Council on any item listed on the closed session agenda will have an opportunity to present testimony to the City Council prior to the City Council convening into closed session. Comments from the public will be limited to three minutes. No member of the public will be allowed to be present once the City Council convenes into closed session. Contact the City Clerk in advance of the closed session either in person at City Hall, by phone 822-4817, or email tlocke@yubacity.net to allow for time for testimony.

Closed Session—Butte Room

- A. Confer with labor negotiators Steve Kroeger and Natalie Springer regarding negotiations with the following associations: Yuba City Police Officers, Police Sergeants, Yuba City Firefighters Local 3793, Yuba City Fire Management, Confidential Employees, Executive Services Employees, First Level Managers, Mid Managers, and Public Employees Local No. 1, pursuant to Section 54957.6 of the Government Code.
- B. Confer with legal counsel, Steve Kroeger regarding existing Worker's Compensation Claim of current employee Jellsey v. City of Yuba City, WCAB No. ADJ9140032 pursuant to Government Code Section 54956.9(a).
- C. Confer with real property negotiators Steve Kroeger and Brad McIntire pursuant to Government Code Section 54956.8 regarding negotiations for the possible sale of the following city owned properties or portions thereof: APN's 57-150-004 217 S Walton and 57-150-050 211 S Walton Ave.
- D. Annual performance evaluation of City Manager pursuant to Government Code Section 54957.

Regular Meeting—Council Chambers

Call to Order

Roll Call: _____ Mayor Dukes
 _____ Vice Mayor Buckland
 _____ Councilmember Cleveland
 _____ Councilmember Didbal
 _____ Councilmember Gill

Invocation

Pledge of Allegiance to the Flag

Presentations & Proclamations

1. Hmong Festival Proclamation – In Honor of Hmong History Month

Public Communication

You are welcome and encouraged to participate in this meeting. Public comment is taken on items listed on the agenda when they are called. Public comment on items not listed on the agenda will be heard at this time. Comments on controversial items may be limited and large groups are encouraged to select representatives to express the opinions of the group.

2. Written Requests

Members of the public submitting written requests, at least 24 hours prior to the meeting, will be normally allotted five minutes to speak

3. Appearance of Interested Citizens

Members of the public may address the City Council on items of interest that are within the City's jurisdiction. Individuals addressing general comments are encouraged to limit their statements to three minutes

Consent Calendar

All matters listed under Consent Calendar are considered to be routine and can be enacted in one motion. There will be no separate discussion of these items prior to the time that Council votes on the motion unless members of the City Council, staff or public request specific items to be discussed or removed from the Consent Calendar for individual action

4. Minutes of August 18, 2015

Recommendation: Approve the City Council Meeting Minutes of August 18, 2015

5. Install a Crosswalk at Civic Center Boulevard and Poole Boulevard / Veterans Memorial Circle

Recommendation: Adopt a Resolution approving the marking of the northern east-west crosswalk located at the intersection of Civic Center Boulevard / Poole Boulevard / Veterans Memorial Circle

6. Barry Elementary School Waterline Extension Project

Recommendation: Approve a Resolution authorizing the City Manager to sign and file a financial assistance application for a financing agreement with the State Water Resources Control Board for the planning and/or design of the Barry Elementary School Waterline Extension project.

7. City Hall Holiday Closure December 25, 2015 – January 1, 2016

Recommendation: Approve a Resolution authorizing the closure of City Hall and other select offices for the holiday period beginning Friday, December 25, 2015 through Friday, January 1, 2016.

General Items

8. Water System Audit and Development of Water Loss Control Program

Recommendation: Award a Professional Services Agreement to Water System Optimization, Inc (WSO). of San Francisco, CA, for a water system audit and the development of a water loss control program in the amount of \$117,720 plus \$15,000 contingency with the finding that it is in the best interest of the City.

9. Water Rebate Program – High Efficiency Washing Machines

Recommendation: A) Adopt a Resolution authorizing the Public Works Director to accept the 2014 Water-Energy Grant Award from the State of California – Department of Water Resources in the amount of \$24,000 to provide rebates for high efficiency washing machines to low income households within the target area.

B) Authorize staff to expand the scope of existing Water Rebate Program to include high efficiency washing machines in order to make rebates available to all Yuba City residents.

10. Bike Lane Striping Improvement Project (Plans and Specifications)

Recommendation: Adopt a Resolution approving the plans and specifications for the Bike Lane Striping Improvement Project and authorizing advertisement for bids on the project.

11. Grant Funds for the completion of a Recycled Water Facilities Plan

Recommendation: Adopt a Resolution authorizing the Public Works Director or designee to:

A) Sign and file a Financial Assistance Application, for and on behalf of the City, for a grant agreement from the State Water Resources Control Board for the planning, design, and/or construction of the Yuba City Recycled Water Facilities,

B) To provide assurances, certifications, and commitments required for the financial assistance application, including a financial assistance agreement from the State Water Resources Control Board and any amendments or changes thereto, and

C) To represent the City in carrying out the City's responsibilities under the grant agreement, including certifying disbursement requests on behalf of the City and compliance with applicable state and federal laws.

12. Refunding of 2004 and 2007 Series Outstanding Revenue Bonds of the Successor Agency to the Former Redevelopment Agency of the City of Yuba City (Successor Agency)

Recommendation: Adopt a Resolution Authorizing the issuance and sale of tax

allocation refunding bonds to refinance outstanding 2004 and 2007 tax allocation bonds, requesting certain actions and findings by the Oversight Board, and approving related documents and matters.

13. Amendments to current employee Memoranda and Letters of Understanding providing for extension of terms and increases to employee compensation

Recommendation: Adopt a Resolution approving the contract amendments providing for the extension of 2014 contracts until June 30, 2017 in exchange for a 2% salary increase and a \$1500 non-PERSable stipend for Fire Management, First Level Managers, Mid-Managers, Police Officers' Association, and Police Sergeants along with unrepresented Confidentials and Executive Team in addition to approving a \$1000 non-PERSable stipend for 2014 contracts with Mid-Managers and unrepresented Confidentials.

14. Amendment to the Transportation Allowance for City Council Members

Recommendation: A) Adopt a Resolution Amending the Transportation Allowance for City Councilmembers from \$375 per month to \$550 per month
B) Authorize the Finance Director to make the necessary supplemental appropriation from unallocated funds

15. Reinstatement of Deferred City Council Compensation

Recommendation: Adopt a Resolution Approving the Reinstatement of the Increase in Compensation of the Members of the City Council that has been deferred since November 2008 from \$500 to \$600 per month per Councilmember

Business from the City Council

16. Appointment of Parks and Recreation Commissioner

Recommendation: Approve the City Council Screening Committee Recommendation for Appointment to the Parks and Recreation Commission

17. City Council Reports

- Councilmember Cleveland
- Councilmember Didbal
- Councilmember Gill
- Vice Mayor Buckland
- Mayor Dukes

Adjournment

Hmong Festival Proclamation



CITY OF YUBA CITY

Written Requests

Members of the public submitting written requests at least 24 hours prior to the meeting will normally be allotted 5 minutes to speak.

Procedure

When requesting to speak, please indicate your name and the topic and mail to:

City of Yuba City
Attn: City Clerk
1201 Civic Center Blvd
Yuba City CA 95993

Or email to:

Terrel Locke, City Clerk tlocke@yubacity.net

The Mayor will call you to the podium when it is time for you to speak.

CITY OF YUBA CITY

Appearance of Interested Citizens

Members of the public may address the City Council on items of interest that are within the City's jurisdiction. Individuals addressing general comments are encouraged to limit their statements.

Procedure

Complete a Speaker Card located in the lobby and give to the City Clerk. When a matter is announced, wait to be recognized by the Mayor. Comment should begin by providing your name and place of residence. A three minute limit is requested when addressing Council.

- For Items on the Agenda

Public comments on items on the agenda are taken during Council's consideration of each agenda item. If you wish to speak on any item appearing on the agenda, please note the number of the agenda item about which you wish to speak. If you wish to speak on more than one item, please fill out a separate card for each item.

- Items not listed on the Agenda

Public comments on items not listed on the agenda will be heard during the Public Communication portion of the meeting.

**MINUTES (DRAFT)
REGULAR MEETING OF THE CITY COUNCIL
CITY OF YUBA CITY
COUNCIL CHAMBERS
AUGUST 18, 2015
5:00 P.M. – CLOSED SESSION
6:00 P.M. – REGULAR MEETING**

Closed Session—Butte Room

- A. Conferred with labor negotiators Steve Kroeger and Natalie Walter regarding negotiations with the following associations: Yuba City Police Officers, Police Sergeants, Yuba City Firefighters Local 3793, Yuba City Fire Management, Confidential Employees, Executive Services Employees, First Level Managers, Mid Managers, and Public Employees Local No. 1, pursuant to Section 54957.6 of the Government Code.
- B. Conferred with real property negotiators Steve Kroeger and Darin Gale pursuant to Government Code Section 54956.8 regarding negotiations regarding possible purchase of the following properties or portions thereof: APN 52-077-012 905 Bridge Street.

Regular Meeting—Council Chambers

The City of Yuba City City Council meeting was called to order by Mayor Dukes at 6:01 p.m.

Roll Call

Present: Councilmembers Buckland, Cleveland, Didbal, Gill and Mayor Dukes
Absent: None

Invocation

Councilmember Buckland gave the invocation.

Pledge of Allegiance to the Flag

Councilmember Gill led the Pledge of Allegiance.

Presentations & Proclamations

1. Public Safety Report – Police Department

Chief Rob Landon provided a report on the Yuba City Police Department calls for services, crime statistics and areas of emphasis.

2. Play Ball Month

Mayor Dukes read a proclamation designating August 2015 as Play Ball Month and invited all citizens to come out to Yuba City High School and Participate in activities On Saturday August 22, 2015.

Public Communication

3. **Written Requests**

Cherie Stephens and Jackie Sillman let Council know that the Yuba City Walk to End Alzheimer's will be held on September 12th at the Town Fountain on Plumas Street. Ms. Stephens donated a pie to be auctioned off as a fundraiser for the walk. Mayor Dukes stated that the pie will be auctioned off at the end of the Council meeting.

4. **Appearance of Interested Citizens**

The following person spoke:

Jeff Clinkenbeard, Almond St. Yuba City, regarding lack of lighting in the neighborhood.

Public Hearing

5. **Recology Yuba-Sutter Rate Adjustment for Rate Year 2016 and Related Amendment to the 2011 Collection Service Agreement**

Mayor Dukes recused himself from this item due to a possible conflict of interest as he is currently in negotiations with Operating Engineers #3 and left the dais.

Vice-Mayor Buckland opened the Public Hearing, hearing no comment, he closed the public hearing.

Councilmember Gill moved to adopt **Resolution No. 15-043** amending the 2011 Collection Service Agreement with Recology Yuba-Sutter and approve a 2.0% increase to Recology service rates for the Rate Year 2016. Councilmember Cleveland seconded the motion that passed with a unanimous vote.

Mayor Dukes returned to the dais.

6. **2014 Housing Element Annual Progress Report**

Mayor Dukes opened the Public Hearing, hearing no comments, he closed the Public Hearing.

Councilmember Gill moved to approve the 2014 Annual Progress Report and Authorize Submittal to the California Department of Housing and Community Development (HCD) and the Governor's Office of Planning and Research (OPR). Councilmember Buckland seconded the motion that passed with a unanimous vote.

7. **Yuba City Landscape Maintenance District No. 1 (Stabler Lane/Garden Highway Area), Yuba City Lighting and Landscape Maintenance District No. 2, 3, 4 & 5 (Town Center and 69 subdivisions throughout Yuba City), and Yuba City Lighting and Landscape Maintenance District No. 6 (Commercial District) - Resolution Confirming Diagram and Assessment and Levying the Assessment**

Councilmembers Didbal and Gill recused themselves from this item due to a conflict of interest regarding owning property within the district and left the dais.

Mayor Dukes opened the Public Hearing, hearing no comment, he closed the Public hearing.

Councilmember Buckland moved to adopt **Resolution No. 15-044** confirming the diagram and assessment and levying the assessment for FY 2015/16, pursuant to the Landscaping and Lighting Act of 1972. Councilmember Cleveland seconded the motion that passed with a unanimous vote.

Councilmembers Didbal and Gill returned to the dais.

8. Yuba City Residential Street Light Maintenance Districts (Walton Area and Tierra Buena Area) - Resolution Confirming Diagram and Assessment and Levying the Assessment

Councilmember Gill moved to adopt **Resolution No. 15-045** confirming the diagram and assessment and levying the assessment for FY 2015/16, pursuant to the Benefit Assessment Act of 1982. Councilmember Buckland seconded the motion that passed with a unanimous vote.

Consent Calendar

Councilmember Cleveland moved to adopt the Consent Calendar as presented. Councilmember Gill seconded the motion that passed with a unanimous vote.

9. Minutes of July 21, 2015

Approved the City Council Meeting Minutes of July 21, 2015

10. Positive Location of Underground Utilities Agreement with the State of California

Adopted **Resolution No. 15-046** authorizing the execution of an agreement with the State of California for the positive location of City owned underground utilities, within the State right of way.

General Items

11. Traffic Improvements along Civic Center Blvd. and Veterans Memorial Circle

Councilmember Gill moved to A) Adopt **Resolution No. 15-047** approving the installation of stop signs at the Civic Center Blvd / Poole Blvd / Veterans Memorial Circle intersection, creating a four way stop; and B) Adopt **Resolution No. 15-048** approving the marking of the north-south crosswalks and the southern east-west crosswalk located at the intersection of Civic Center Blvd / Poole Blvd / Veterans Memorial Circle. Councilmember Didbal seconded the motion that passed with a unanimous vote.

12. Presentation of Investment Report – Quarter Ended June 30, 2015

Noted & Filed Quarterly Investment Report.

13. Fiscal Year 2015-2016 City Council Priorities and Goals Progress Report

Noted & Filed the 2015-16 City Council Priority and Goals August Progress Report.

Business from the City Council

14. City Council Reports

- Councilmember Cleveland
- Councilmember Didbal
- Councilmember Gill
- Vice Mayor Buckland
- Mayor Dukes

Mayor Dukes opened the auction of the pie in support of the Walk to End Alzheimer's. The members of the City Council, as a whole, outbid the other interested parties for a total of \$250 to support the great cause of ending Alzheimer's.

Adjournment

Mayor Dukes adjourned the Regular Meeting of the City Council of the City of Yuba City at 8:22 p.m.

Attest:

John Dukes, Mayor

Terrel Locke, City Clerk

CITY OF YUBA CITY
STAFF REPORT

Date: September 1, 2015
To: Honorable Mayor & Members of the City Council
From: Public Works Department
Presented by: Diana Langley, Public Works Director

Summary

Subject: Install a Crosswalk at Civic Center Boulevard and Poole Boulevard / Veterans Memorial Circle

Recommendation: Adopt a Resolution approving the marking of the northern east-west crosswalk located at the intersection of Civic Center Boulevard / Poole Boulevard / Veterans Memorial Circle

Fiscal Impact: Engineer's Estimate \$500.00 –
-\$500 crosswalk – Courthouse Cost

Purpose:

To install a crosswalk on the north side of the Civic Center Blvd. and Poole Blvd. /Veterans Memorial Circle Intersection

Background:

At the City's August 18th, 2015 Council meeting, Council authorized staff to install a four-way stop and crosswalks at the intersection of Civic Center Blvd. and Poole Blvd. / Veterans Memorial Circle in preparation of the planned opening of the new Sutter County Courthouse.

Analysis:

Upon further review and Council recommendation to better accommodate pedestrians utilizing the area, staff is proposing Council authorize the installation of a marked crosswalk along the north leg of the four-way stop controlled intersection to aid the delineation of a marked crosswalk for pedestrians.

Fiscal Impact:

Minor striping costs are associated with the installation of the crosswalk markings. Costs are estimated at approximately \$500. The costs will be borne by the Courthouse as a requirement of the intersection improvements.

Alternatives:

Delay or modify the recommended actions.

Recommendation:

Staff recommends that Council do the following:

Adopt a Resolution approving the marking of the northern east-west crosswalk located at the intersection of Civic Center Boulevard / Poole Boulevard / Veterans Memorial Circle

Prepared by:

Submitted by:

Benjamin Moody

Benjamin K. Moody
Deputy P.W. Director - Engineering

Steven C. Kroeger

Steven C. Kroeger
City Manager

Reviewed by:

Department Head

DL

Finance

RB

City Attorney

TH (Via e-mail)

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF YUBA CITY
AUTHORIZING THE INSTALLATION OF A CROSSWALK**

WHEREAS, Diana Langley, Public Works Director, recommends the marking of the northern east-west crosswalk at the intersection of Civic Center Boulevard and Poole Boulevard and Veterans Memorial Circle, and

WHEREAS, it has been determined by the City Council that such provision is in the public interest,

BE IT FURTHER RESOLVED AND ORDERED, by the City Council of the City of Yuba City, that the Department of Public Works is hereby authorized and directed that the northern east-west crosswalk at the intersection of Civic Center Boulevard and Poole Boulevard and Veterans Memorial Circle be installed

I HEREBY CERTIFY that the foregoing resolution was introduced and adopted at a regular meeting of the City Council of the City of Yuba City, held on the 1st day of September 2015, by the following vote:

Ayes:

Noes:

Absent:

John Dukes, Mayor

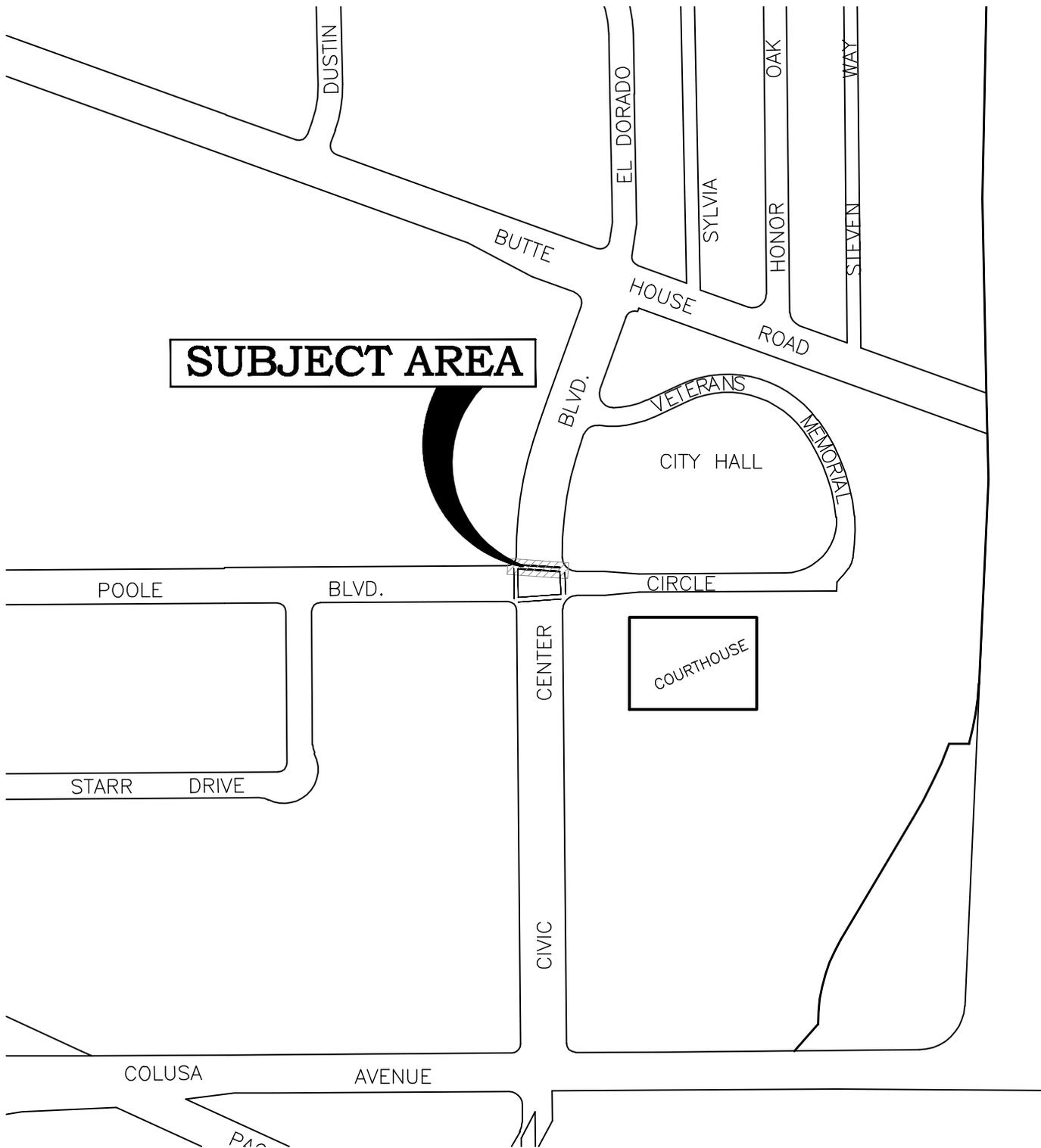
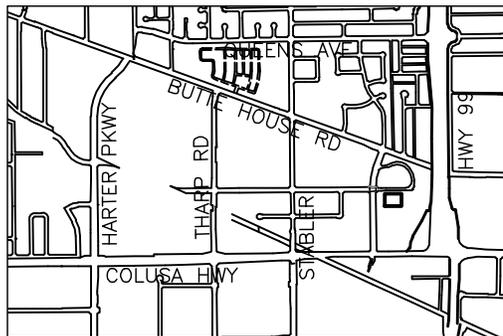
Attest:

Terrel Locke, City Clerk

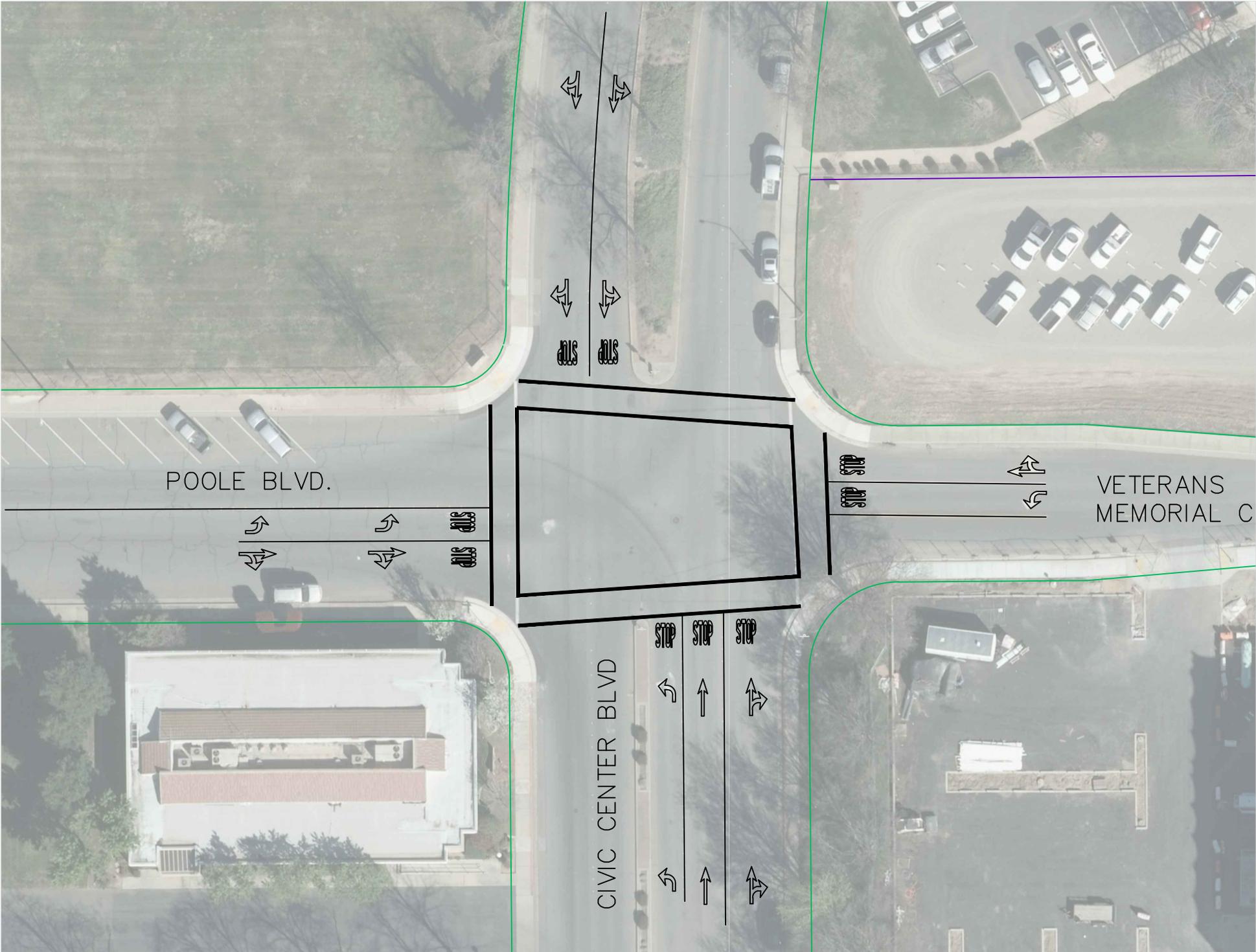
CIVIC CENTER BLVD EAST-WEST CROSSWALK



SCALE: 1" = 300'



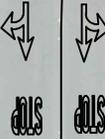
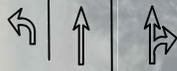
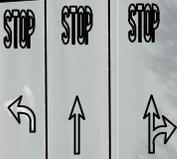
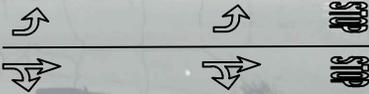
SUBJECT AREA



POOLE BLVD.

VETERANS
MEMORIAL C

CIVIC CENTER BLVD



CITY OF YUBA CITY
STAFF REPORT

Date: September 1, 2015
To: Honorable Mayor & Members of the City Council
From: Public Works Department
Presented by: Diana Langley, Public Works Director

Summary

Subject: Barry Elementary School Waterline Extension Project

Recommendation: Approve a Resolution authorizing the City Manager to sign and file a financial assistance application for a financing agreement with the State Water Resources Control Board for the planning and/or design of the Barry Elementary School Waterline Extension project.

Fiscal Impact: Staff time associated with preparing the grant application, approximately \$3,000

Purpose:

A financial assistance application for a financing agreement with the State Water Resources Control Board for the planning and/or design of the Barry Elementary School Waterline Extension Project.

Background:

At the June 2, 2015 Council meeting, staff was authorized to proceed forward with the State grant application to determine project eligibility and funding. The attached Resolution is required as part of the project application.

Barry Elementary School is located at 1255 Barry Road Yuba City. The school has been plagued with various water quality issues for a lengthy period of time. The most serious water quality concern is the high levels of arsenic, which exceed the state maximum contaminant levels. Barry School has a student population of approximately 700 students.

In coordination with the State Water Resources Control Board, the school prepared a Feasibility Study to determine a viable option to provide clean drinking water to the site. Various onsite treatment options were explored, however, due to long term costs and operation requirements for onsite treatment the study determined that the most viable option was to obtain water from the City.

Analysis:

Upon receiving permission to proceed with the grant application process, the City has taken steps to begin the development of grant application and initiating the project funding. As part of the grant application process, the State requires that the City approve, and authorize the Resolution allowing the City Manager to execute a financial assistance application for a

financing agreement with the State Water Resources Control Board. The agreement is for the planning and/or design of the Barry Elementary School Waterline Extension Project.

Fiscal Impact:

The estimated cost to prepare the grant application is approximately \$3,000 of staff time. CIP account 971092 (Water Line Ext. Proj. & Distribution Piping Enhancement) will be utilized to prepare the application. Upon award of the grant, staff will present City Council with a detailed fiscal analysis and a recommendation on how to proceed forward with the project.

Alternatives:

Do not approve or modify the recommendation

Recommendation:

Approve the Resolution authorizing the City Manager to sign and file a financial assistance application for a financing agreement with the State Water Resources Control Board for the planning and/or design of the Barry Elementary School Waterline Extension project.

Prepared by:

Submitted by:

Gurtej Bhattal

Steven C. Kroeger

Gurtej Bhattal
Assistant Engineer

Steven C. Kroeger
City Manager

Reviewed by:

Department Head

DL

Finance

RB

City Attorney

TH

RESOLUTION NO _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF YUBA CITY
AUTHORIZING THE CITY MANAGER TO SIGN AND FILE A FINANCIAL
ASSISTANCE APPLICATION FOR A FINANCING AGREEMENT WITH THE
STATE WATER RESOURCES CONTROL BOARD FOR THE PLANNING
AND/OR DESIGN OF THE BARRY SCHOOL WATERLINE EXTENSION
PROJECT**

WHEREAS The City of Yuba City is applying on behalf of Barry Elementary School for funding with the State Water Resources Control Board.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Yuba City (the "Entity"), AS FOLLOWS:

The City Manager (the "Authorized Representative") or designee is hereby authorized and directed to sign and file, for and on behalf of the Entity, a Financial Assistance Application for a financing agreement from the State Water Resources Control Board for the planning and/or design of the Barry Elementary School Water Line Extension Project (the "Project").

This Authorized Representative, or his/her designee, is designated to provide the assurances, certifications, and commitments required for the financial assistance application, including executing a financial assistance agreement from the State Water Resources Control Board and any amendments or changes thereto.

The Authorized Representative, or his/her designee, is designated to represent the Entity in carrying out the Entity's responsibilities under the financing agreement, including certifying disbursement requests on behalf of the Entity and compliance with applicable state and federal laws.

CERTIFICATION

I HEREBY CERTIFY that the foregoing resolution was introduced and adopted at a regular meeting of the City Council of the City of Yuba City, held on the 1st day of September 2015, by the following vote:

Ayes:

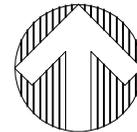
Noes:

Absent:

John Dukes, Mayor

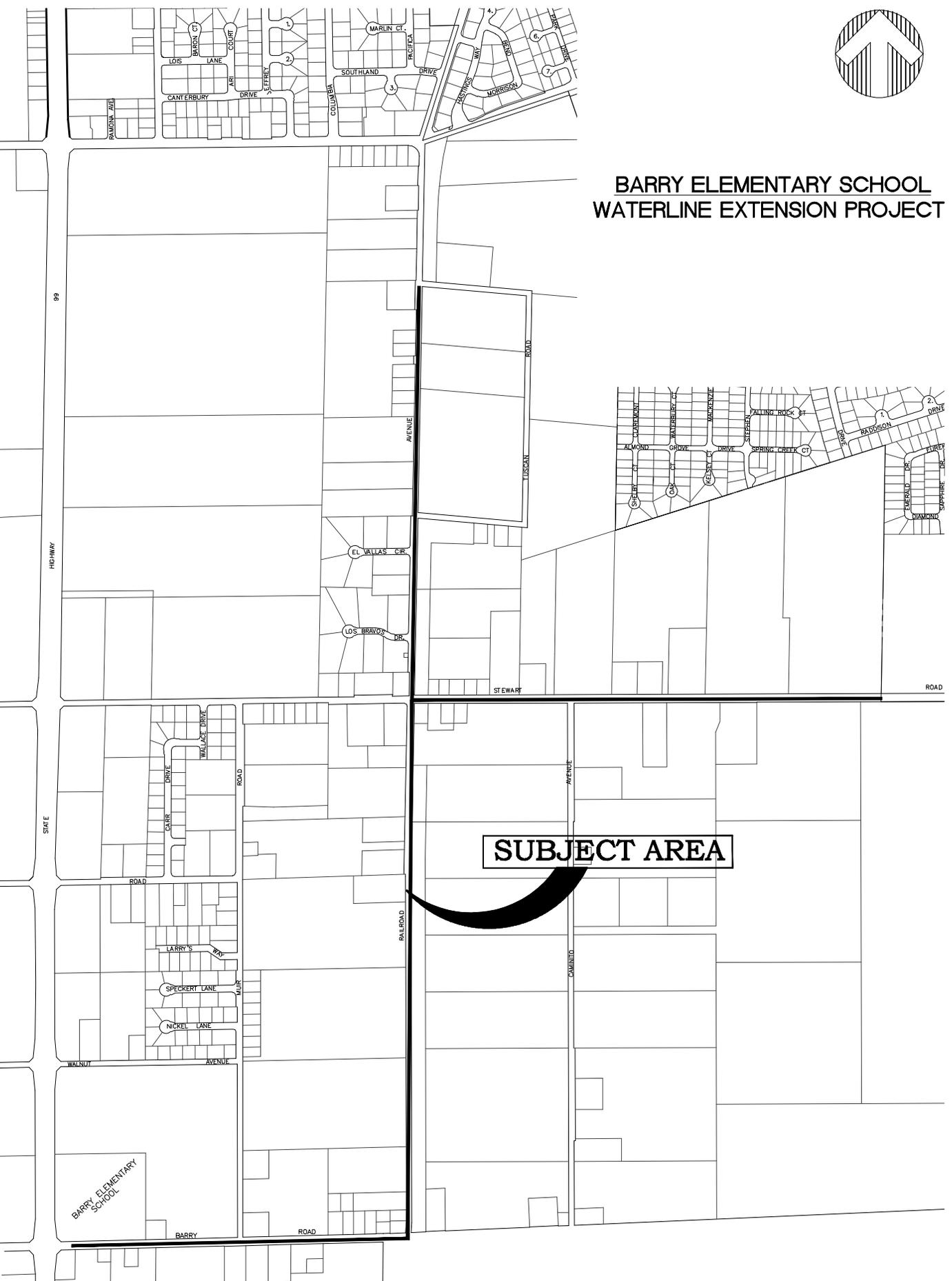
Attest:

Terrel Locke, City Clerk



BARRY ELEMENTARY SCHOOL WATERLINE EXTENSION PROJECT

SUBJECT AREA



CITY OF YUBA CITY
STAFF REPORT

Date: September 1, 2015
To: Honorable Mayor and Members of the City Council
From: Human Resources Department
Presentation By: Natalie Springer, Human Resources Director

Summary

Subject: City Hall Holiday Closure December 25, 2015 – January 1, 2016.
Recommendation: Approve the Resolution authorizing the closure of City Hall and other select offices for the holiday period beginning Friday, December 25, 2015 through Friday, January 1, 2016.
Fiscal Impact: Minimal savings due to building shutdown.

Purpose:

Closure of City Hall and other select offices for the holiday period beginning Friday, December 25, 2015 through Friday, January 1, 2016.

Background:

Since 2011 the City has implemented a Holiday Closure during the Christmas holiday. This closure has been well received by our employees and due to advanced noticing has minimally impacted our community.

The holiday week starts on Friday, December 25, 2015 through Friday, January 1, 2016. This proposed period of time will be referred to as the “Holiday Closure” to minimize repeatedly listing the holiday dates throughout this staff report.

The observed Christmas and New Year’s holiday schedule contribute to a shortened week for employees, see below table.

Work Day

← ← ← **Work Week** → → → →

Fri. Dec. 25	Sat. Dec. 25	Sun. Dec. 27	Mon. Dec. 28	Tues. Dec. 29	Wed. Dec. 30	Thurs. Dec. 31	Fri. Jan. 1	Sat. Jan. 2	Sun. Jan. 3
Christmas Holiday City Hall Closed	Weekend		Proposed Closure	Proposed Closure	Proposed Closure	Floating Holiday: Proposed Closure	New Year’s Day Holiday City Hall Closed	Weekend	

For the four (4) Holiday Closure days above in bold, employees would use available furlough bank time, vacation, compensation time, or floating holiday leave bank time.

Historically, the numbers of City Hall routine counter service requests or utility bill payments between Christmas and New Year's Day are low. In an effort to support employees in utilization of furlough bank time and floating holiday bank time, the City has proposed a Holiday Closure during the Christmas and New Year's holiday season. This Holiday Closure provides a good opportunity for employees to take extra time off before the end of the fiscal year while customer service demands are low.

The Holiday Closure would not impact emergency services. Also, if the City Manager were to declare an emergency (such as a flood) the Holiday Closure would be suspended and employees would be subject to emergency procedures.

Analysis:

The employees at City Hall who are part of the Public Employees' Union, Local 1, First Level Managers, Mid-Managers, and unrepresented Confidentials and Executive Team have agreed to close City Hall and other select offices during the Holiday Closure.

The Holiday Closure would be well advertised to the public to ensure advance and thorough notification. If approved, news releases would be sent out to the local newspapers, radio stations, and news stations. Notices of the closure would be posted at the facilities as well as on the City's website.

Fiscal Impact:

Minimal savings due to building shutdown.

Alternatives:

Do not close City Hall and other offices for the holiday period beginning Friday, December 25, 2015 through Friday, January 1, 2016.

Recommendation:

Approve the closure of City Hall and other select offices for the holiday period beginning Friday, December 25, 2015 through Friday, January 1, 2016.

Attachments:

Attachment 1: Holiday Closure Resolution

Attachment 2: Holiday Closure Side Letter

Prepared By:

Amber Darrach

Amber Darrach
Administrative Analyst

Submitted By:

Steven C. Kroeger

Steven C. Kroeger
City Manager

Reviewed By:
Human Resources

NS

Finance

RB

City Attorney

TH (Via email)

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF YUBA CITY
APPROVING A HOLIDAY CLOSURE FRIDAY, DECEMBER 25, 2015 THROUGH
FRIDAY, JANUARY 1, 2016**

WHEREAS, the City recognizes the combination of holiday, employee furlough bank time and floating holidays has provided City Hall and other select buildings the opportunity to take time off over the below described holiday period with minimal impact to the public;

WHEREAS, City staff and the affected bargaining units have agreed to close City Hall from Friday, December 25, 2015 through Friday, January 1, 2016;

WHEREAS, the City Hall Holiday Closure has been successful and through advanced noticing, has minimally impacted the public since 2011;

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

Section 1. Approve the attached Side Letter with the affected bargaining groups within City Hall and other non-emergency facilities that will be closed during the Holiday Closure.

Section 2. Authorize staff to make any necessary clarifying language changes to the language in the side letter as long as the changes do not modify the side letter's substantive terms or past practice.

I HEREBY CERTIFY that the foregoing resolution was introduced and adopted at a regular meeting of the City Council of the City of Yuba City, held on the 1st day of September 2015, by the following vote:

Ayes:

Noes:

Absent:

John Dukes, Mayor

Attest:

Terrel Locke, City Clerk

**SIDE LETTER TO THE
PUBLIC EMPLOYEES UNION, LOCAL 1, MID-
MANAGERS, AND FIRST LEVEL MANAGERS**

**TO THE MEMORANDA OR LETTER OF
UNDERSTANDINGS**

FOR

CITY HALL HOLIDAY CLOSURE:

**DECEMBER 25, 2015 through
JANUARY 1, 2016**

The purpose of this Side Letter Agreement is to provide for the closure of City Hall and other non-safety or critical City services for the holiday period from December 25, 2015 through January 1, 2016 (referred to as the "Holiday Closure"). In an effort to support employees in utilization of furlough bank time and floating holiday bank time, the City has proposed a Holiday Closure during the Christmas and New Year's holiday season. This will allow employees to spend time with their families in a manner that minimizes the inconvenience to Yuba City residents.

Representatives of the Public Employees Union, Local 1 (Local 1), First Level Managers (FLM), Mid-Managers (MM), and Confidential Employees and the City of Yuba City agree to the follow terms regarding the City Hall Holiday Closure:

A. Holiday Closure

This Agreement provides for the closure of City Hall (and other select offices) for the predetermined time period listed below. Some of these days contained within the holiday period are holidays defined by the City in accordance with the Personnel Rules and Regulations, Section 2.10, B.

i. Christmas Holiday Schedule

- Most employees are required to use at least 24 hours (utilizing Dec. 31th as a Floating Holiday) or 32 hours if the Floating Holiday is taken over Christmas Eve.

Work Day

← ← ← **Work Week** → → →

Fri. Dec. 25	Sat. Dec 26	Sun. Dec. 27	Mon. Dec. 28	Tues. Dec. 29	Wed. Dec. 30	Thurs. Dec. 31	Fri. Jan. 1	Sat. Jan. 2	Sun. Jan. 3
Christmas Holiday – City Hall Closed	Weekend		Closure	Closure	Closure	Floating Holiday: Closure	New Year's Eve Holiday City Hall Closed	Weekend	

ii. Other

- City Hall and other select offices (non-critical/non-safety service offices) are the only City buildings affected by the Holiday Closure. If other City departments or buildings would like to participate in the Holiday Closure, the department head is the point of contact.
- City Hall employees and other select office employees will not report to work during the designated Holiday Closure.
- The City may require or permit, at the discretion of the department head, certain employees to work a regular, partial or on-call schedule on one or more of the Holiday Closure days.

- iii. Payroll
 - Employees are required to account via payroll for the appropriate time associated with the Holiday Closure.
 - The payroll accounting of the Holiday Closure will include use of furlough bank, floating holiday time, vacation or compensation time. Payroll accounting for the Holiday Closure not specifically listed herein must be approved by the City Manager or designee.
 - Employees required or permitted to work on a non-observed holiday (For example: December 29, 2015) of the Holiday Closure will be paid their regular salary for the hours worked, and will be required to account for all remaining Holiday Closure hours via furlough bank, floating holiday time, vacation, or compensation time. All other time worked during the days designated as holidays by Section 2.10, B of the City's Personnel Rules and Regulations will be paid in accordance with Section 2.10, E of the Rules and Regulations.
 - Employees without adequate leave accruals may borrow against future furlough accruals or go into an unpaid status only with the approval of the City Manager or designee.

- iv. Miscellaneous
 - The Holiday Closure shall not impact seniority, probationary periods or health or retirement benefits unless the employee is in an unpaid status.
 - All subsections of Section 2.10, Holidays, of the Personnel Rules and Regulations remain in effect during the Holiday Closure. Note: In accordance with the Rules and Regulations, holidays are paid on an eight (8.0) hour basis and an eligible employee shall be entitled to holiday with pay only if the employee is in a paid status on the date immediately preceding or succeeding the holiday.
 - Bargaining groups agree that policy decisions made by the City Council and discretionary decisions made by management related to this side letter and implementation of the Holiday Closure will not be subject to the City's Personnel Rules and Regulations, Section 3.09, Grievance Policy.
 - If the City Manager declares an emergency (such as a flood) the Holiday Closure is suspended and all employees are subject to emergency procedures.

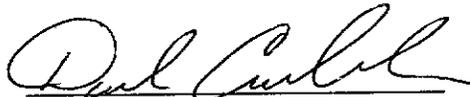
SIGNATURES CONTINUED ON NEXT PAGE

CITY OF YUBA CITY

Steven C. Kroeger
City Manager

Natalie Springer
Human Resources Director

BARGAINING UNITS



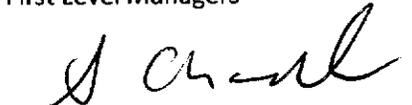
David Calonder
Local 1 President



Gary Stucky
Local 1



Brian Hansen
First Level Managers



Scott Chandler
First Level Managers



Ann Gillen
First Level Managers



Devin Barber
Mid-Managers

CITY OF YUBA CITY
STAFF REPORT

Date: September 1st, 2015

To: Honorable Mayor & Members of the City Council

From: Public Works Department

Presentation by: Michael Paulucci, Deputy Public Works Director - Utilities

Summary

Subject: Water System Audit and Development of Water Loss Control Program

Recommendation: Award a professional services agreement to Water System Optimization, Inc (WSO). of San Francisco, CA, for a water system audit and the development of a water loss control program in the amount of \$117,720 plus \$15,000 contingency with the finding that it is in the best interest of the City.

Fiscal Impact: \$117,720 + \$15,000 Contingency to Account No. 7120-62761 (Water Conservation)

Purpose:

To provide a complete water system evaluation for the purpose of reducing water loss and developing a program to maintain water loss at a minimum.

Background:

The City provides quality drinking water to approximately 19,000 accounts serving residential, commercial and industrial customers. The City's Water Treatment Plant typically produces between 250 and 700 million gallons per month depending upon season and/or conservation requirements. Treated drinking water that has entered the distribution system but cannot be accounted for through the City's billing system is considered "lost".

The reasons for loss are many and may include but not limited to; water transmission line leaks, unauthorized consumption, inaccurate water meters and apparent losses due to calculation or data handling errors. According to the EPA July 2013 Water Audit and Water Loss Control for Public Water System Document, average loss for water systems is 16 percent with 75 percent of that being recoverable. The City's 12-month rolling average apparent water loss currently stands at 13.8%.

Analysis:

As mentioned, the City's apparent water loss 12-month rolling average is currently 13.8%. Using the range of water produced each month by the water treatment plant, the City's water loss is 34.5 to 96 million gallons per month.

According to the same EPA document noted above, it is easy to see why the time to recover the costs of water loss control is measured in weeks or months rather than years. The actual amount of water Yuba City will be able to recover is yet unknown; however, other agencies have experienced recovery rates up to 70%. The following table illustrates water savings per month based upon winter (low) or summer (high) flows as a function of water loss program effectiveness.

% water loss reduced from current loss level	Winter low flow volume	Summer high flow volume
25	8,618,421 gallons	24,000,000 gallons
50	17,236,842 gallons	48,000,000 gallons
75	25,855,263 gallons	72,000,000 gallons
100	34,473,684 gallons	96,000,000 gallons

The project approach is detailed in Section 4 of the WSO scope of work. Typical water loss program features include:

- Determining the accuracy of the volumes entering the water system and what is recorded each month as consumed by the customer.
- Calculating apparent loss due to meter related issues.
- Quality assurance analysis of data to validate water loss calculations to a high degree of certainty.
- Analysis of real water losses to develop a corrective strategy plan.
- Development of a long-term water loss program.

The City increased water conservation funding for FY 15-16 to \$250,000 in part to pay for this water audit and develop a water loss control program. Once the program is completed, water loss control will provide fiscal benefits to the City's many water customers for many years to come.

WSO is providing water loss services to the following Regional Water Authority (RWA) member agencies; City of Sacramento, City of Folsom and the El Dorado Irrigation District. In addition, WSO is the preferred water loss service provider for the Association of California Water Agencies (ACWA).

Fiscal Impact:

Not to exceed \$117,720 + \$15,000 Contingency to Account No. 7120-62761 (Water Conservation)

Alternatives:

Do not proceed forward with the water system audit and water loss control program development at this time.

Recommendation:

Award a professional services agreement to Water System Optimization, Inc. (WSO) of San Francisco, CA, for a water system audit and the development of a water loss control program in the amount of \$117,720 plus \$15,000 contingency with the finding that it is in the best interest of the City.

Prepared by:

Michael Paulucci

Michael L. Paulucci
Deputy Public Works Director – Utilities

Submitted by:

Steven C. Kroeger

Steven C. Kroeger
City Manager

Reviewed by:

Department Head

DL

Finance

RB

City Attorney

TH (via email)



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ACWA Adds Two Preferred Providers to Program

Submitted by Anonymous on Thu, 05/27/2010 - 4:01pm in [Water News](#)

ACWA has added two new companies to its growing preferred provider program.

[RMJ Technologies](#) is a Platinum Partner of Network Fleet, Inc. and the manufacturer of patented and award-winning vehicle GPS tracking technology with remote diagnostics for Fleet Optimization. The device connects directly to the vehicle's on-board computer, tracking the vehicle in real-time while simultaneously providing continuous engine diagnostics. The goal is to reduce the overall operating expense of the fleet and dramatically mitigate emissions. If properly managed, most agencies experience a return on investment in as few as four to six months.



[Water Systems Optimizations](#), Inc. (WSO), is highly specialized in conducting the American Water Works Association's (AWWA) top-down water audits with a detailed component analysis of real and apparent losses that allows the design of the most efficient water loss management strategies for any given utility. Their proprietary software, AuditSolve™, is designed to aid the user in making sense of the overwhelming quantity of data that is generated by a comprehensive water audit.

Both WSO and RMJ Technologies were selected as result of a competitive bid process conducted by ACWA and come highly recommended to the association's members from their previous agency clients.

ACWA members can begin using these new APPs immediately. Please contact ACWA Business Development Coordinator [Linda Anderson](#) for more details.

View a complete list of [ACWA's preferred providers](#).

Latest Water News



Continuing Drought Would Hit Rural Areas the Hardest, Report States



DWR Releases Draft List of Critically Overdrafted Groundwater Basins, Schedules Public Meetings



San Joaquin Valley Sinking Due to Groundwater Overdraft, DWR Report Says



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Yuba City Public Works Department *WATER LOSS CONTROL PROGRAM*



WATER SYSTEMS OPTIMIZATION, INC.



PROPOSAL FOR
AWWA WATER AUDIT AND DEVELOPMENT OF WATER
LOSS CONTROL PROGRAM



Water Systems Optimization, Inc.

**1140 Donelson Pike, Suite A1
Nashville, TN 37217
Tel: (615) 457-3790
Fax: (615) 457-3794**

and

**290 Division Street, Suite 311
San Francisco, CA 94131
Tel: (415) 538-8641
Fax: (814) 286-1556**

LETTER OF TRANSMITTAL

March 06, 2015

Mr. Mike Paulucci, Deputy Public Works Director – Utilities
Yuba City Public Works Department
302 Burns Drive
Yuba City, CA 95991

Dear Mr. Paulucci,

RE: AWWA Water Audit and Development of Water Loss Control Program

Following our discussion on February 10th 2015, Water Systems Optimization, Inc. (hereinafter, “WSO”) is pleased to provide this proposal for AWWA Water Audit and Development of Water Loss Control Program.

In choosing a partner for providing these highly specialized services it is essential for Yuba City Public Works Department (hereinafter, “the City”) to select a team with proven and unmatched technical expertise in successfully providing water utilities with Non-Revenue Water assessment and management services and designing and implementing Non-Revenue Water reduction strategies.

While a number of North American consultants are now utilizing the AWWA free water balance software to undertake top-down water audits – WSO is one of the few specialized companies with the necessary knowledge and experience to combine the top down water audit with a detailed component analysis of real and apparent losses. WSO has developed its own proprietary software package AuditSolve™ for these analyses. Only by conducting detailed component analysis is it possible to calculate economically optimum levels of real and apparent losses that allow for the design of the most cost effective water loss control program for the City.

WSO’s status as the most qualified and experienced firm in North America for conducting detailed component analyses and designing economically optimized water and revenue loss reduction strategies was recently solidified by the Water Research Foundation (WaterRF)’s selection of WSO to complete the WaterRF project #4372, Effective Organization and Component Analysis of Water Utility Leakage Data. Under this project WSO was tasked to develop a simple to use component analysis tool that will be available to all North American water utilities.

WSO is a front-runner in the application of the latest thinking in water loss control as can be vouched for by our many satisfied clients and the number of repeat contracts we regularly win with those clients.

Proven and Unmatched Water Loss Control Expertise: WSO's unmatched experience in this field is best demonstrated by the following achievements:

- Lead research firm on all three WaterRF (formerly American Water Works Research Foundation) water loss related research studies
- Instrumental in introducing and promoting current water loss assessment and management best practices in the United States
- Successfully provided water and revenue loss management professional services to some of the largest water utilities in the U.S. e.g. Los Angeles Department of Power and Water, San Antonio Water Systems, Philadelphia Water Department, City of Phoenix, Nashville Metro Water, San Francisco Public Utilities Commission, Orlando Utilities Commission, City of Sacramento, etc.
- Successfully provided water and revenue loss management professional services to more than 30 water utilities in California
- WSO, has a detailed and unmatched understanding of water loss management challenges in California. The Association of California Water Agencies (ACWA) has selected WSO as the preferred provider of Water Loss Management and Control Services for its member agencies, due to our proven knowledge of water loss control in North America and California and our commitment to service excellence.
- Successfully implemented water loss reduction and revenue recovery projects for utilities nationally and internationally
- Development of innovative water loss management software
- Each of WSO's water loss experts are acknowledged specialist in water loss management, nationally and internationally, through groundbreaking publications, leadership within professional associations, long track record of highly successful water loss reduction projects, development of new software and water loss calculation models.



Our project team strongly believes that we are uniquely positioned to provide the best service and advice to the City and its customers.

WSO respectfully submits this Proposal with the intention that all of the required information is supplied. WSO will be pleased to provide any further clarification of the information supplied if this is within the procedure for processing responses.

Please find enclosed our documents required for the proposal. If you have any questions, feel free to contact me at (415) 538-8641 or by e-mail at reinhard.sturm@wso.us.

Sincerely,

A handwritten signature in black ink, appearing to read 'Reinhard Sturm', with a long horizontal flourish extending to the right.

Reinhard Sturm

Chief Operating Officer – WSO

Contents

Letter of Transmittal	1
1 Water Systems Optimization, Inc.	1
1.A WSO Organizational Structure	1
2 Statement of Qualifications.....	2
2.A Firm’s Qualifications.....	2
2.B Personnel	5
3 Project Schedule.....	7
4 Project Approach & Understanding	8
TASK 1: System Input Volume Validation	8
TASK 2: Consumption Volume Validation	10
TASK 3: Apparent Loss Volume Determination.....	11
TASK 4: Water Balance Compilation & 95% Confidence Limit Assignment	12
TASK 5: Component Analysis of Real Losses	13
TASK 6: Develop a Long-Term Water Loss Reduction Strategy.....	15
5 Budget:	18
A. Exhibit A: References.....	19

TABLE OF FIGURES

Figure 1: WSO Organizational Chart	1
Figure 2: Example of a 4-20mA Signal Data Transfer Analysis.....	9
Figure 3: Real Loss Components	14
Figure 4: Economic Model for Regular Leak Detection Survey	15

TABLE OF TABLES

Table 1: Related Experience Matrix – Select Water Loss Control Projects in WSO’s Portfolio	3
Table 2: Example of Long-Term Non Revenue Reduction Roadmap	16

1 WATER SYSTEMS OPTIMIZATION, INC.

WSO is highly specialized in water loss assessment, management and reduction technologies including American Water Works Association (AWWA) water audits, leakage modeling, economic level of leakage assessment, design of water loss control programs, leak detection and repair, apparent loss assessment and reduction, and pressure management. **Water Loss Management is the sole focus of WSO's services.**

WSO has proven ability in this field through all phases of the project life cycle from investigation, analysis, design, development, planning and implementation. Although technology plays an important role in what we do, at the core of our business are the people we employ to deliver services for our clients. All our staff are well trained, skilled and experienced in our specialized field, and highly motivated to provide high quality service. WSO is able to provide world-class experience with an intimate knowledge of North American methodologies, technologies and regulation.

The philosophy of WSO is to provide professional services using the most advanced and cost effective tools to yield a high standard of overall accuracy and reliability. We strongly believe in using data obtained from field tests and carrying out detailed component analysis for all of our water audit work, to increase the accuracy of analysis and the quality of our service. WSO is uniquely equipped to help the City create a water loss control plan that is customized, cost-effective and feasible.

1.A WSO Organizational Structure

WSO has an established team of water loss control experts. The company is organized as displayed in Figure 1. WSO has an office in San Francisco, CA and Nashville TN.

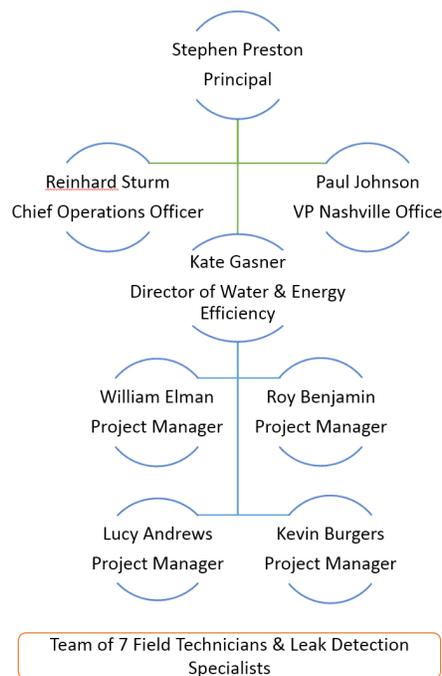


Figure 1: WSO Organizational Chart

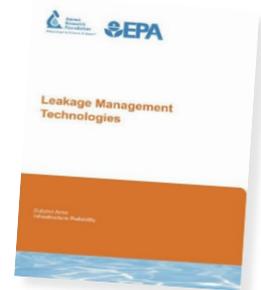
2 STATEMENT OF QUALIFICATIONS

2.A Firm's Qualifications

National Leaders in Water Loss Management

WSO was formed in 2002, and is the industry leader in water loss management in North America. Since its founding, WSO has successfully used and promoted the AWWA recommended water loss management and assessment methodologies. In fact, WSO was instrumental in developing these best practices through its involvement with the AWWA Water Loss Control Committee, which introduced and adapted the international best practices in water loss assessment and management for North American applications.

WSO was also the lead firm on two key water loss related WaterRF (formerly AwwaRF) research studies. Both studies have now been published by WaterRF to provide North American water utilities with guidance on their water loss management activities. In 2012, WSO solidified its role as the nation's top water loss specialist upon selection to complete the WaterRF project #4372, Effective Organization and Component Analysis of Water Utility Leakage Data.



WSO consistently works to advance the water loss control industry nationwide. WSO is an active contributor to AWWA and has employees that are established members of the AWWA Water Loss Control Committee and the International Water Association (IWA) Water Loss Task Force. For example, Reinhard Sturm, VP Operations WSO, is the chair of the AWWA Water Loss Control Committee Real Losses Subcommittees and in charge of updating the Real Loss Section of the M36 Manual.

Experience in Water Loss Control Program Design & Implementation

WSO has undertaken the largest non-revenue water (NRW) management projects in the United States over the last thirteen years: most recently, we have produced water loss control plans for the Los Angeles Department of Water and Power (LADWP) and San Antonio Water System (SAWS). Please reference Table 1 for a list of recent work that feature the same services as suggested for the City.

In addition to consultancy services, WSO also carries out major water loss intervention contracts. For example, we have an ongoing leak detection service contract for the City of Nashville, TN. This 5-year contract involves setting up of temporary district metered areas (DMA's), measuring flow and pressure and then analyzing that data to determine leakage levels, prioritize the DMA's for leak detection, and then provide leak detection survey services to identify unreported leaks. All these services are provided in-house by WSO, while the City's direct labor workforce repairs the detected leaks.

We are also currently working with the City of Folsom, California on a water loss intervention program. Under this contract WSO is sustainably reducing the City's water loss volume to an economically optimum volume through proactive leak detection and pressure management over the course of two years. WSO is also installing a permanent water loss monitoring system, utilizing the City's SCADA system and their Advanced Metering Infrastructure (AMI). This monitoring system will allow the City to

continuously monitor the water loss level in each of their pressure zones, only intervening to conduct leak detection when it is economically justified.

Table 1: Related Experience Matrix – Select Water Loss Control Projects in WSO’s Portfolio

RECENT and RELEVANT PROJECTS		TASKS		TASK 1: SYSTEM INPUT VOLUME	TASK 2 – CONSUMPTION VOLUME	TASK 3 - APPARENT LOSS VOLUME	TASK 4 – WATER BALANCE & 95% CONFIDENCE LIMIT ASSIGNMENT	TASK 5 - COMPONENT ANALYSIS OF REAL LOSSES	TASK 6 – ECONOMICALLY EFFICIENT NON-REVENUE WATER REDUCTION STRATEGY
		VALIDATION	VALIDATION	VALIDATION	VALIDATION	VALIDATION	VALIDATION	VALIDATION	VALIDATION
Los Angeles Department of Water & Power	2012 - 2013	✓	✓	✓	✓	✓	✓	✓	✓
<i>Water Loss Audit & Component Analysis; NRW Reduction Strategy</i>									
Nashville Metro Water Services	2004 - Ongoing	✓	✓	✓	✓	✓	✓	✓	✓
<i>Detailed Water Audits & Leakage Control Program</i>									
Philadelphia Water Department	2003 - Ongoing	✓	✓	✓	✓	✓	✓	✓	✓
<i>Technical Assistance with Long Term Water Loss Management Strategy</i>									
San Antonio Water System	Ongoing	✓	✓	✓	✓	✓	✓	✓	✓
<i>Water and Revenue Loss Management Services</i>									
Eastern Municipal Water District	2011-2012	✓	✓	✓	✓	✓	✓	✓	✓
<i>Water Loss Control Program & Development of NRW Reduction Strategy</i>									
City of Folsom Utilities Department	2011-2012	✓	✓	✓	✓	✓	✓	✓	✓
<i>Water Audit & 2-Year Water Loss Control Program</i>									
City of Hayward	2010 - 2011	✓	✓	✓	✓	✓	✓	✓	✓
<i>Detailed Water Audit and Component Analysis</i>									
Southern California EDISON	2008-2009	✓	✓	✓	✓	✓	✓	✓	✓
<i>Water Leak Detection Program and Water System Loss Control Study</i>									
City of Panama City	2008	✓	✓	✓	✓	✓	✓	✓	✓
<i>AWWA Standard Water Balance and Audit</i>									
San Francisco Public Utilities Commission	2005 to 2007	✓	✓	✓	✓	✓	✓	✓	✓
<i>Detailed Water Audit and Component Analysis</i>									
City of Phoenix Water Services Department	FY07-08	✓	✓	✓	✓	✓	✓	✓	✓
<i>Water Loss Study & Development of NRW Reduction Strategy</i>									

The following qualifications – beyond the experience and reference projects described above – uniquely qualify this project team for the City’s Water Loss Control Program:

Experience with Scope & Scale: As the reference projects above detail, the project team leads the water loss control field in experience of managing water loss control programs. Such experience is coupled with cutting edge research and comprehensive understanding of best practices.

Clear Communication: The project team has a proven track record of clearly communicating the technical concepts of water loss control programs. Thorough and timely communication of the project's findings, obstacles, and planning is a key piece of the project team's approach.

Prompt Delivery: The project team prides itself on strict adherence to timeline of deliverables.

Training & Transfer of Knowledge: The project team appreciates the importance of ensuring the program's maintained impact and longevity through training and education.

2.B Personnel

WSO is able to provide a team of distinguished water loss management industry experts. Each of the key team members is an acknowledged specialist in water loss management – nationally and internationally – through groundbreaking publications, leadership within professional associations, long track record of highly successful water loss reduction projects, and development of new software and water loss calculation models. The key team members’ experience in conducting research work, their active involvement in international and national water loss associations and their extensive and renowned expertise will guarantee that the team applies the latest technologies and methodologies.

Reinhard Sturm – Chief Operating Officer - WSO

Project Director

Firm WSO

Reinhard Sturm is Chief Operating Officer for WSO. Reinhard has worked on Water Loss Control projects throughout the world, including countries such as USA, Canada, Malaysia, India, Sri Lanka, Kazakhstan, Egypt, and Moldova. For the past eleven years he has been involved in some of the biggest Water Loss assessment and reduction projects in the U.S.

Education

University of Natural Resources and Applied Life Science, Vienna, Austria

M.Sc. in Environmental Engineering 1998

Principal Office Address

*290 Division Street, Ste. 311
San Francisco CA, 94103*

13 Years of Experience

Professional Affiliations

International Water Association (IWA)

Water Loss Control Committee of the American Water Works Association (AWWA) and

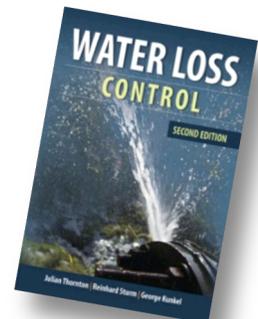
Chair of the AWWA Real Losses Subcommittee

Reinhard was the Co-principal investigator for the AwwaRF research project #2928 “*Leakage Management Technologies*” where he was the lead researcher and lead author in addition to being responsible for the successful management of the project. This very prestigious research project, published in August 2007, provides North American water utilities with detailed guidance on the most up to date and most applicable leakage management technologies such as DMA’s and advanced pressure management. Reinhard is also a co-author of the AwwaRF research report “*Evaluating Water Loss and Planning Loss Reduction Strategies*”.

Reinhard currently serves as the Principal Investigator for the WaterRF project #4372, Effective Organization and Component Analysis of Water Utility Leakage Data. This clearly highlights Reinhard’s reputation as a leading expert in water loss control with unmatched expertise in component analysis. Reinhard is furthermore the co-author of the professional manual published by McGraw Hill – “*Water Loss Control –*

2nd Edition”. Reinhard has published more than 15 specialized papers on various topics related to water loss management, his latest publication was a peer reviewed article in the AWWA Journal on PWD’s real loss control activities utilizing DMA’s and pressure management to manage leakage losses.

Reinhard is actively involved in the International Water Association – Water Loss Task Force (WLTf) where he served two terms as technical secretary and he is also actively involved in the American Water Works Association – Water Loss Control Committee (WLCC), where he participated in the update of the AWWA



M36 manual and the AWWA water audit model. As chair of the AWWA Real Losses Subcommittee, Reinhard is currently in charge of updating the real losses chapter of the AWWA M36 update.

In 2006, Reinhard was invited by the California Urban Water Conservation Council (CUWCC) to act as technical advisor on their revision of a best management practice for reduction of Non-Revenue Water. He has since then advised the council on how to assess and economically reduce all components of Water Loss and conducted several successful water loss management workshops for the CUWCC. In August 2010, the CUWCC selected Reinhard to provide several 2-day workshops to its member agencies on the implementation of BMP1.2 and the use of the AWWA water audit model. Most recently Reinhard conducted Water Loss webinars for the WRF, CUWCC and the Alliance for Water Efficiency.

Some of the Water Loss assessment and reduction projects Reinhard recently managed for clients such as the, City of Sacramento Utilities Departments (2014 – ongoing), SAWS (2014 – ongoing), LADWP (2012 – 2013), SSWA (2012 – ongoing), WaterRF (2012 – ongoing), Suisun Solano Irrigation District (2012 – 2014), City of Hayward Utilities Department (2010 – 2011), the City of Folsom Utilities Department (2008 to present), Southern California EDISON, LVMWD, AVRWC, LACSD (2008 to 2009), Contra Costa Water District (2009), City of Phoenix Water Services Department (2008 to 2010), Philadelphia Water Department PWD (2003 to 2007 and 2007 to 2011 and 2011 to present), San Francisco Public Utilities Commission SFPUC (2005 to 2007), and El Dorado Irrigation District EID (2005). All of these projects included components very similar to the tasks outlined in the current statement of qualifications.

Katherine Gasner, Director of Water and Energy Efficiency - WSO

Project Manager

Firm WSO

Kate is the Director of Water and Energy Efficiency for WSO working on Water Loss reduction projects throughout California and the US. In the Water Loss Control field, she has worked on all aspects of the preparation of a standard AWWA water audit and component analysis of real losses, including meter testing, flow and pressure data collection and analysis, detailed billing data analysis, and leakage modeling. Kate managed the water audit and detailed component analysis projects for Eastern Municipal Water District and the Los Angeles Department of Water and Power. Kate also managed all the participating utilities and literature review work in the latest Water Research Foundation project on water loss control (#4372).

Education

*Yale University,
Environmental Engineering,
2009*

Principal Office Address

*290 Division Street, Ste. 311
San Francisco CA, 94103*

4 Years of Experience

Before joining WSO, Kate held leadership positions with The Artemis Project and Imagine H2O. She managed the international “Water Energy Nexus” prize competition for entrepreneurs with ventures in water.

William Elman, Jr. Project Manager - WSO

Assistant Project Manager

Firm

WSO

William has worked on water loss reduction projects throughout Southern California, focusing primarily on pilot water-energy partnerships. On his most recent project, he served as the lead analyst working with the City of Escondido to develop a standard AWWA water audit and real loss component analysis. Additionally, William has experience conducting pressure studies and designing meter tests.

Education

*Oberlin College,
Politics, 2012*

Principal Office Address

*290 Division Street, Ste. 311
San Francisco CA, 94103*

Previously, he worked as a Rates and Debt Analyst at the San Francisco Public Utilities Commission, where he was responsible for strengthening business processes to ensure timely payment of municipal debt.

2 Years of Experience

3 PROJECT SCHEDULE

WSO understands that time is of the essence for the City: we can guarantee that the project will be completed within twelve months after we received the notice to proceed.

4 PROJECT APPROACH & UNDERSTANDING

In order to develop a viable and economically optimized Non Revenue Water management strategy and implementation plan, the following key components are essential. It requires a detailed and validated AWWA Water Audit and Balance and component analysis, a review and validation of water loss management related data sources and reporting procedures, an evaluation of current loss reduction strategies to develop recommendations for economically viable intervention strategies against real and apparent losses.

With our water loss expertise and technical guidance, WSO will lead the adoption and full incorporation of industry best practices in water loss management and accounting for the City. The following methodology outlines the tasks necessary toward that end. Throughout the program, WSO will emphasize training and will support the City staff in developing the understanding and skills around robust water loss control planning and implementation.

TASK 1: System Input Volume Validation

The first step in assessing water loss will involve full accounting and validation of all inputs into the City's distribution system. Metering error and/or data handling error from the system input or wholesale import/export meters can significantly impact the water balance calculation. Fully assessing and validating the accuracy of the system input meters, the data transfer systems, and protocols around meter testing is essential to any water loss determination.

1.1: Review of Raw Production Data & Determination of Total System Input Volume

WSO will review all of the production data for the established audit period. This will involve assessing the data integrity of each system input meter's raw production data. The City's data collection and data management protocols will be reviewed and validated.

1.2: Assessment of Installation Conditions

The reliability of system input data is directly related to the operating conditions of each system input meter. WSO will determine if the existing system input meters can accurately measure flow based on their installation location, setup and existing technology. WSO will gather and review existing reports, drawings, and documentation on these selected meters (manufacture, type, size, installation requirements, and piping configuration) and will field assess their installation conditions. This will directly inform the analysis of the system input volume accuracy.

1.3: Assessment of Data Transfer Accuracy

Beyond the accuracy of the meter itself, it's important to validate the accuracy of the system input meter data transfer. This validation step is achieved by testing the accuracy of data transfer from flow meter to the SCADA system using portable data loggers, which will be connected to selected system input meters recording the raw 4-20mA signal. The recorded raw 4-20mA signal will then be converted into flow values according to the meters calibration flow range and compared against the flow data recorded by the SCADA system. Figure 2 shows the results of a 4-20mA signal data transfer analysis for a reservoir raw water meter of a Californian water utility. Here a significant difference between the flow rate recorded by SCADA and the actual flow rate recorded by the raw water meter was detected.

Identifying these types of data integrity issues is crucial in understanding the reliability of the System Input Volume used for the water balance.

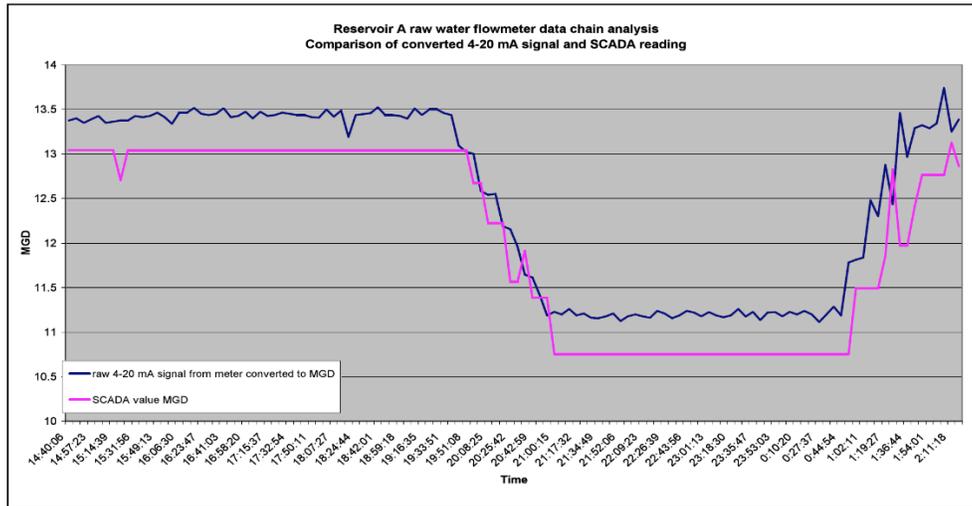


Figure 2: Example of a 4-20mA Signal Data Transfer Analysis

1.4: Assessment of System Input Meter Testing Procedures & Accuracy Determination

WSO will review the testing procedures currently in place to inform the findings on system input accuracy. The review of this existing test data will directly inform the level of confidence related to each of system input meters and the volume recorded by each system input meter. Where feasible, WSO will identify select meters to carry out accuracy tests.

Task 1 Outcomes:

- *Full examination and assessment of system input meter accuracy*
- *Validated production data (organized by system input meter) for audit year*
- *Validation of meter installation conditions – are meters installed according to best industry practices?*
- *Validation of system input meter data collection, data management and computation of system input volume*
- *System input meter accuracy tests were feasible*
- *Recommendations on modifications for accuracy improvement (in testing protocol and/or meter installation and technology, internal QA/QC procedures for system input volume data)*

TASK 2: Consumption Volume Validation

The next step in establishing a validated water balance for the City involves a thorough examination of all consumption volumes. A billing database usually provides the basis for customer bill generation and is a critical component of any utility's financial processing. This database can provide a wealth of information on customer consumption, and the practice of "data-mining" these databases in order to isolate audit relevant consumption data is a critical component of water loss control programs.

2.1 Validation of Billed Metered Consumption

Meter reading data will be taken from the City billing system to determine billed consumption. WSO will request the export of the raw billing data for the audit period plus two months on each side of the audit period. This billing data will include, among other things, the meter reads, read dates, and usage for all accounts during the audit period, and all the account details. This raw set of data includes bills with errors, duplicate bills, and bills with estimated consumptions, all of which may have been subsequently corrected and/or cancelled. In "cleaning" the billing database, WSO will determine a reliable volume of billed metered consumption.

WSO has experience with billing databases of utilities of all sizes is well prepared to address the challenges in determining a reliable billed metered consumption for the water balance.

This examination typically includes the following:

- Lag-Time Analysis: this review reveals whether or not the delay between actual consumption and the meter read/bill generation process affects the water balance. Allocation of consumption by month can resolve any problematic lag.
- Consumption Disaggregation by Consumer Type
- Consumption Range Analysis by Meter Size: this breakdown helps identify suspicious accounts (meters reading far above or below the average in their size group)
- Error Flag Review for Estimation Impact
- Impact analysis of consecutive zero consumption reads
- Review of customer classification to identify mislabeled customers

It is important to note that the examination of billing data also directly informs the determination of apparent losses (Task 3).

2.1 Validation of all Other Consumption Volumes:

Though the billing data will provide a majority of the consumption volume for the water balance, it is important to establish a thorough accounting of all withdrawals from the distribution system (whether metered, unmetered, billed or unbilled). This involves review of all tracking mechanisms and estimations procedures for the following types of consumption:

- Billed Un-metered Consumption
- Un-Billed Metered Consumption
- Un-Billed Un-Metered Consumption

Task 2 Outcomes:

- *Full examination and assessment of billing data integrity*
- *Validated consumption data (organized by type of consumption) for audit period*
- *Recommendations on billing procedures that would improve accuracy of billing data as a source for aggregate consumption analysis*
- *Meter reading, billing and business process review*
- *Customer use evaluation to identify potential for meter resizing efforts in order to maximize returns to the City and to minimize apparent losses*
- *Breakdown of consumption by meter size and type that will directly inform Task 3*
- *Meter reading Lag-time analysis and apportioning of monthly consumption if needed*
- *Evaluation of the City's procedures for determining un-metered authorized consumption components*

TASK 3: Apparent Loss Volume Determination

Apparent losses can result from meter malfunctions, meter reading errors, data transcription errors, customer accountability problems, inaccurate consumption estimates, and theft. In most utilities the majority of the apparent loss volumes are created by meter malfunctions. The amount of under-registration for any given customer is a function of both the meter accuracy and the consumption profile for that customer. This task will allow for a thorough understanding of the accuracy of the City's meter stock. With important insight from the billing data analysis outlined in Task 2, the total apparent loss volume for the audit period will be determined.

3.1 Identify and Analyze Pertinent Existing Meter Test Data

Based on the detailed billing data analysis WSO will identify key categories of meters (usually organized by meter make and size) and will identify and analyze pertinent existing test data. Statistical examination to determine on how representative this existing test data is of the whole meter stock will follow.

3.2 Consideration and Implementation of Supplemental Small Meter Testing

WSO will also suggest additional meter testing where feasible to ensure sound statistical analysis of the mean accuracy of each meter size and category. The size of test sample that is required is a function of the general condition of the total population of meters. In general, the wider the variation in accuracy that exists in the total population, the larger the size of the test sample needs to be. WSO will review current customer meter data and determine whether or not another round of testing is warranted for this program.

3.3 Review of Current Large Meter Testing

This stage of the apparent loss analysis involves assessing the appropriate testing and/or overhaul procedures for the the City's large meter stock, examining the opportunities for meter right-sizing, and reviewing the current large meter sizing and specification procedures.

Equipped with the billing data analysis, WSO will be able to present a targeted program that highlights the accounts that should be prioritized for testing and at what interval. The analysis here will enhance

the City's current large meter program to incorporate considerations around consumption and revenue opportunities, improving overall cost-effectiveness.

3.4 Total Apparent Loss Determination

Given the test results the billing data base consumption analysis, WSO will determine the volume attributed to meter under-registration for the audit period broken down by meter size and make. In parallel, WSO will determine the apparent loss volumes attributed to data handling errors and unauthorized consumption (this will involve a review of any documentation and/or assessment of appropriate estimations to apply and a review of the meter reading and bill procedure currently in place).

Task 3 Outcomes:

- *Validation of all apparent loss volumes: small meter under-registration, large meter under-registration, unauthorized consumption, and data handling errors.*
- *Review of current small meter test data*
- *Creation of statistically representative small meter test data (supplemented by more testing if necessary)*
- *Evaluation of current small meter replacement strategy and recommendations for improvement if applicable*
- *Provide a list of large meter accounts that are candidates for further right-sizing or investigation*
- *Recommend a large meter testing program that prioritizes revenue recovery opportunities*
- *Identify and quantify any obvious errors in data handling and identify unauthorized consumption*
- *Un-authorized water consumption will be identified based on data provided by the City for illegal connections, meter by-passes, fire hydrant misuse, and other un-authorized uses.*
- *Create a short to medium term plan around apparent loss intervention strategies*

TASK 4: Water Balance Compilation & 95% Confidence Limit Assignment

4.1 Establish the Validated AWWA Water Balance

Equipped with the findings from each previous task, WSO will finalize the validated AWWA Water Balance and determine the water loss performance indicators for the audit period. Alongside the free AWWA Free Water Audit Software, WSO will provide a version of its in house designed water balance software "Audit Solve". This software also features the results of the component analysis of real losses (see Task 5), 95% confidence limits (see Task 4.2), ranking of water balance components by level of variance, full set of performance indicators, and graphic comparison of performance indicators against a North American data set.

The results of the validated water balance will provide an **independently validated baseline** for water loss volumes for the audit year. In conjunction with subsequent tasks, the results of the validated water balance allow for the design of economically optimized water loss intervention strategies.

4.2 Determine the 95% Confidence Limits for Each Water Balance Component

The use of 95% confidence limits to validate the degree of uncertainty in individual components of the water balance is currently the best practice among qualified water loss management professionals.

Using 95% confidence intervals allows generating a lower and upper limit for each water balance component. The interval estimate (or lower and upper limit) gives an indication of how much uncertainty there is in the volume used for each water balance component. The narrower the interval, the more precise is the value used. This sub-task will involve reviewing the findings on each water balance input and quantifying the error range as a 95% confidence limit.

Task 4 Outcomes:

- *Independently validated water loss audit and baseline*
- *Copy of the AuditSolve software with water audit results, including 95% confidence limits & performance indicator graphs*
- *Copy of the AWWA Water Audit software with water audit results for UMWP and BMP1.2 reporting*
- *Water loss trend analysis*

TASK 5: Component Analysis of Real Losses

Using an annual “Breaks and Background Estimates” (BABE) model (also known as a real loss component analysis), WSO will separate the leak and break volumes of real loss into the following categories: background losses, reported leakage, and unreported leakage (see Figure 3). Understanding how the Real Loss volume breaks down into these different components is critical in developing intervention strategies to reduce Real Losses (and will directly inform Tasks 6).

For example, the failure repair data collected for this analysis will allow the project team to model the impact of any improvement in location and repair of both reported and unreported leaks on the annual volume of real losses. Further, this component analysis also allows for modeling the effect a change in system pressure will have on the volume of real losses and its subcomponents. This analysis also provides for understanding how much unreported leakage could be recovered through additional proactive leak detection.

In the process of collecting and reviewing the failure repair data necessary for the component analysis, WSO will help the City enhance the standard leak repair data collection practices and protocols to improve future component analysis and Economic Level of Leakage results.

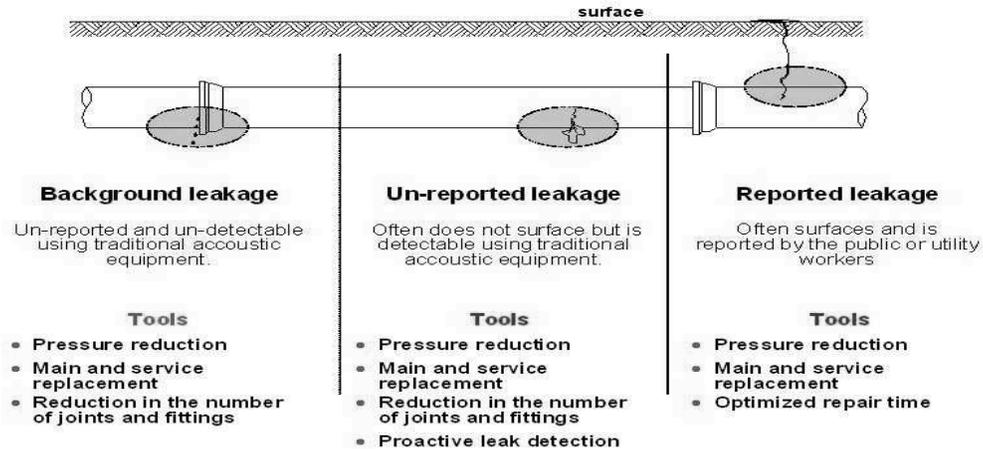


Figure 3: Real Loss Components

5.1 Determination of Background Leakage

WSO will review infrastructure data to determine the volume of background leakage throughout the system. This involves some amount of sensitivity analysis given the system’s infrastructure components, system age, operational characteristics and operating pressure.

5.2 Determination of Reported Leakage

WSO will review all documentation of reported failures for the audit period. Validating the runtimes of each failure instance and estimating flow rates culminates in calculation of water loss attributed to reported leakage.

5.3 Determination of Unreported Leakage

WSO will review any leak detection activity that occurred during the audit period. If applicable, we will validate the runtimes of each failure instance and estimate flow rates to calculate the water loss attributed to unreported leakage.

Task 5 Outcomes:

Real Loss Components Volume Determination

- Identify the volumes of each type of real losses: background leakage, unreported leakage, and reported leakage.
- Quantify the volume of hidden leakage, the volume of unreported leakage that continues uninterrupted throughout the system.
- Quantify the volume of leakage currently lost through reported and unreported leaks that were addressed by the City during the audit period
- Break frequency analysis and comparison to national and international data sets and benchmarks
- The results of the real loss component analysis are crucial for the calculation of the City’s Economic Level of Leakage, which will provide the basis of the development of the City’s water loss control strategy.

- *Real Loss Tracking and Process Review:*
 - *Review of leak repair data to evaluate efficiency of leak repair response times*
 - *Data review and validation of the following information: leak repair database information and data handling and collection process, leak detection program results, average system pressure and infrastructure condition*
 - *Provide guidelines on leak repair data collection to meet current industry best practices*
 - *Training in real loss component analysis*

TASK 6: Develop a Long-Term Water Loss Reduction Strategy

6.1 Determine Economic Level of Leakage for Real Losses

Leakage (Real Losses) costs money. It has a cost associated with the intrinsic value of the water and energy that is lost, and it has a cost associated with locating and repairing the leak and any damage it may have caused to nearby infrastructure. For all utilities there is a balance between the value of the water that is lost through leakage and the cost of finding and fixing leakage and reducing leakage through pressure management. In simple terms, this balance is described as the Economic Level of Leakage (ELL) and is presented graphically in Figure 4. The economic level of leakage identifies the point where the total cost, which is the sum of cost of leakage losses and cost of leakage intervention strategies (e.g. leak detection and pressure management), is at a minimum.

In this sub-task, WSO will calculate the ELL for the City.

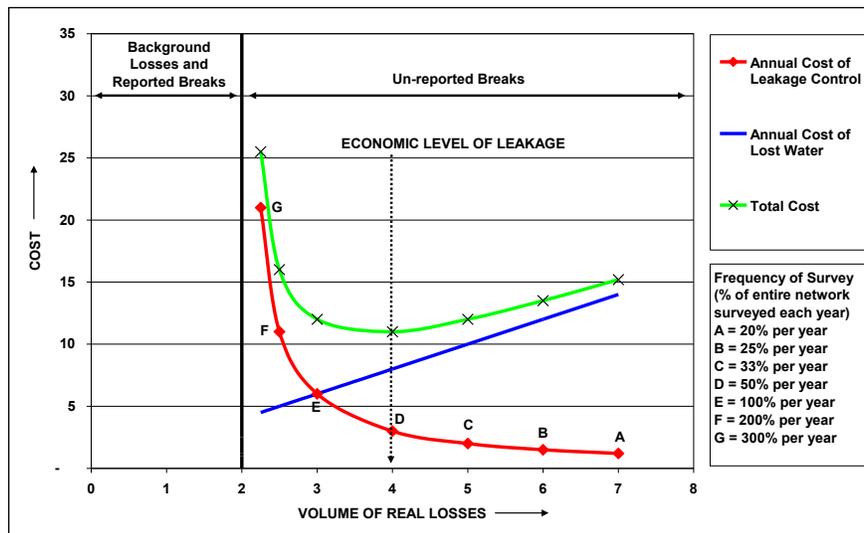


Figure 4: Economic Model for Regular Leak Detection Survey

This analysis will provide the framework for the five-year water loss reduction goal setting process. The previous work completed in Task 2 (determining 95% confidence limit to the real and apparent loss volumes) will enable the presentation of the five-year water loss reduction goals with appropriate and necessary acknowledgement of the uncertainty associated with each volume.

6.2 Evaluate Real Loss Reduction Strategies and Provide Economically Optimized Intervention Strategy

Given the valuation of real losses and the costs of intervention, WSO will outline the most cost-effective real loss reduction strategies moving forward. This will involve developing appropriate recommendations for the following real loss interventions:

- Proactive Leak Detection
- Pressure Reduction
- Repair Response Time Improvement

Apparent Loss reduction strategies will be included in the reporting and recommendations provided in Task 3 (see above).

6.3 Long-Term Non Revenue Reduction Roadmap

Each element of the roadmap will represent conclusions from the through economic analysis of intervention strategies. A detailed implementation plan and schedule, budget estimations, savings potential and return on investment projections will supplement each element on the roadmap. Table 2 shows the summary of an example Long-Term Non Revenue Reduction Roadmap.

Table 2: Example of Long-Term Non Revenue Reduction Roadmap

Fiscal Year	Proactive Leak Detection	Improved Location and Repair Times for Reported Leaks	Pressure Management Program
FY 2014 – 2015	Prepare for implementation of proactive leak detection program	Focus on collection of better leak repair data	Prepare for implementation of pressure monitoring pilot in 5 to 10 pressure zones
FY 2015 – 2016	Detailed leak detection in 10% to 15% of the distribution network using internal leak detection staff	Update analysis on improved location and repair times and evaluate the necessary additional budget for reducing the average location and repair time for reported mains leaks.	Implement Step 1 of the pressure management program
FY 2016 – 2017	Detailed leak detection in 10% to 15% of the distribution network using internal leak detection staff	If found cost effective, deploy additional repair crews to reduce average location and repair times to optimum levels	
FY 2017 – 2018	Evaluate results of detailed leak detection efforts and update strategy according to findings over past 2 years		Implement Step 2 of the pressure management program
FY 2018 – 2019	Implement updated proactive leak detection strategy and if/where AMI is implemented utilize AMI and SCADA data for prioritizing areas for ongoing leak detection based on calculated leakage loss levels by pressure zone.		Implement Step 3 of the pressure management program
FY 2019 – 2020			
FY 2020 – 2021			
FY 2021 – 2022			
FY 2023 – 2024			

Task 6 Outcomes:

- *Determine the Economic Level of Leakage for the City*
- *Evaluate the economically optimized level of real loss intervention in each of the following areas: leak detection, pressure management, failure repair and response times*
- *Develop a long term Non-Revenue Reduction Roadmap that outlines the recommended investment, return on investment, and savings for each piece of the plan – for both real loss and apparent loss reduction strategies*

Final Products/Deliverables

WSO will produce and provide the following products and deliverables:

- Final report AWWA Water Audit and Component Analysis and ELL Analysis (3 hard copies and electronic version) - discussing in detail the work undertaken and the results, findings and recommendations.
- Final report for water loss control program – discussing in detail the cost/benefit of the plan, the tasks involved, milestones of the plan and cost of the water loss control program.
- WSO's proprietary Water Audit Software (AuditSolve) Training on the use of WSO's Water Audit Software plus training on the use of the free AWWA water audit software.
- WSO will also complete the AWWA software for the audit year and provide training to the the City on the use of the AWWA software and assist the City with BMP1.2 and UWMP reporting

5 BUDGET:

The total budget for this project including cost for labor and expenses is \$117,720. Invoices will be submitted monthly, based on a “percentage completed” basis. The total project cost of \$117,720 is a not to exceed amount for this project.

Cost Estimate Summary by Task		
	Value	Total hours
	Task	Per Task
Project Kick Off and Data Collection	\$6,840.00	46
1: System Input Volume Validation	\$16,040.00	116
2: Consumption Volume Validation	\$20,320.00	144
3: Apparent Loss Determination	\$16,040.00	116
4: AWWA Water Balance & 95% Conf Limits Assignment	\$7,840.00	54
5: Component Analysis of Real Losses	\$13,240.00	96
6: Develop Long Term Water Loss Control Program Recommendations	\$26,400.00	148
Grand Total Hours		720
Grand Total Cost for Direct Labor	\$106,720	
Expenses	\$11,000	
Grand Total Project Cost	\$117,720	

A. EXHIBIT A: REFERENCES

Reference Project #1 – City of Folsom Utilities Department

Client:	City of Folsom Utilities Department
Project Title:	AWWA Standard Water Balance and Audit & 2-Year Water Loss Control Program
WSO Lead and Key Personnel:	Stephen Preston, Project Director
Project Manager:	Reinhard Sturm
Contact Person for City of Folsom Utilities Department	Mr. Vaughn Fleischbein, PE, Associate Engineer
Address:	50 Natoma Street, Folsom, CA 95630
Telephone Number:	(916) 607-3850
Fax:	(9160) 351-5603
Email:	vfleischbein@folsom.ca.us
Project Start Date:	Water Audit - April to December 2009
Project Completion Date:	2-Year Water Loss Control Program – January 2011 to ongoing

General Project Description:

In order to ensure accountability and efficient operation, the City of Folsom Utilities Department (CoF) set out to conduct a detailed water loss study using new technologies and recognized approved best practices. WSO carried out accuracy test on all system input meters, assessed the accuracy of data transfer between system input meters and the SCADA system, and provided recommendations for corrective actions where found necessary. Both real and apparent water losses were analyzed in great detail utilizing new techniques implemented by WSO, which provided the City of Folsom Utilities Department with a detailed and accurate understanding of their water losses. Through the analysis, all system water losses were categorized and quantified, and an economically optimal level of losses was calculated so that specific cost-effective water management and conservation activities could be recommended. Based on the findings of the detailed water loss study, WSO designed a two-year water loss control and intervention program for the City of Folsom in order to reduce system water losses to an economically optimum level.

In 2011, the City of Folsom contracted WSO to implement a two-year water loss reduction project reducing water losses to an economic optimum. The project also includes the development of an online water loss monitoring tool, which combines AMI and SCADA data for daily monitoring of water loss volumes in the City of Folsom's distribution network. This system will guarantee that the City of Folsom can maintain the water loss savings achieved by WSO and that interventions against newly occurring leaks are undertaken only when it is economically justified. The project saved a significant volume of water helping the City of Folsom achieve its 20x2020 target, through the water loss reduction strategies implemented by WSO (repeated leak detection, pressure management optimization, implementation of permanent DMAs and Leakage Monitoring).

Relevant Project Characteristics:

- *The CoF distribution network can be categorized as a small to medium size system that experiences a relatively high rate of rise of leakage. The system allows for the establishment of permanent DMAs.*
- *The scope of this project combines detailed top-down (AWWA water audit and component analysis) and bottom-up (District Metered Area measurements) water audits, leak detection and pressure management to quantify and reduce water losses in each CoF distribution network.*
- *WSO's proprietary water audit software and the use of 95% confidence limits in addition to WSO's proprietary calculation tools for DMA leakage quantification provide the necessary tools to monitor DMAs where leakage is above an economically justifiable level.*
- *The program has reduced leakage levels to economically optimized levels and allows the CoF to maintain these optimized levels despite the high rate of rise of leakage in the CoF's distribution network.*
- *This project is very similar in nature since it combines a detailed water audit and DMA measurements to quantify leakage loss reductions due to the implementation of leak detection and pressure management programs. This project reference is of particular interest since it is also the first project in the United States where an online water loss monitoring tool was implemented. This tool combines AMI and SCADA data for daily monitoring of water loss volumes in the City of Folsom's distribution network. The online water loss monitoring tool was developed by WSO and is a proprietary tool (nrwmanager) that could be used for SDG&E's Water Loss Control Program pilot project as well, in case the selected utility/s has the required electronic data collection infrastructure in place.*

Reference Project #2 – Los Angeles Department of Water and Power

Client:	Los Angeles Department of Water And Power
Project Title:	Water Audit and Component Analysis Program
WSO Lead and Key Personnel:	Stephen Preston, Project Director
Project Manager:	Reinhard Sturm
Contact Person:	Ms. Penny Falcon, P.E.
Telephone Number:	(213) 367-4647
Email:	Penny.falcon@ladwp.com
Project Start Date:	2012
Project Completion Date:	Ongoing

In 2012, the Los Angeles Department of Water and Power (LADWP) hired WSO after a competitive bidding process to undertake a Water Loss Audit and Component Analysis Project examining the efficiency of the water LADWP distribution system and non-revenue water management practices. Specifically, WSO was tasked to investigate the current ability to accurately identify real and apparent losses; determine the economic optimum level of water losses; and identify, prioritize, and recommend the most efficient and cost-effective loss intervention strategies to minimize water loss. WSO is currently contributing to the “Water Loss Task Force”, which is taking our recommendations and developing business plans around next steps toward implementation.

Services Provided:

- Evaluated existing reports and documents.
- Conducted a detailed assessment of the system input volume through data validation and inspections.
- Compiled an independent standardized IWA/AWWA water balance and assigned 95% confidence limits to each component of the water balance and determined which of those components contributed the highest level of uncertainty (highest variance).
- Validated consumption components of the water balance: this included an initial data integrity review and in later years featured an effort that segregated consumption by flow and volume brackets for meter and service types to allow for a first look at potential under and over sized meters.
- Initiated small meter test samples to better calculate apparent losses by size category.
- Reviewed current work order management system for leak data collection to provide recommendations for improvements and conducted a component analysis of real losses.
- Evaluated the practices and programs of the LADWP’s Meter Shop to maximize data collection on meter accuracy and control of apparent loss volumes.
- Helped LADWP evaluate if DMA technology is an appropriate and worthwhile piece of LADWP’s overall water loss control activity portfolio by implementing three temporary DMAs.
- Analyzed field pressure data collected during the study to provide recommendations for advance pressure management options.
- Conducted an economic analysis of real losses to design an economically optimized real loss control strategy.

- Conducted an economic analysis of apparent losses to provide an optimized meter replacement and maintenance strategy.
- Developed a five-year apparent loss control program for reducing apparent losses to economically efficient levels and a 10-year real loss control program for reducing real losses to economically efficient levels.

Notable Findings & Results:

- Provided LADWP with recommendations on how to rearrange its monitoring of system input volume (both at their largest water treatment plant as well as at the numerous well fields) so LADWP will in future years have highly accurate monitoring of total volume supplied into the distribution system.
- Provided recommended procedures for improved SCADA data reliability for system input volumes.
- Confirmed that LADWP's billing system is reliable and provided recommendations on consumption data validation procedures
- Determined that the small meter population is operating at a relatively high level of accuracy. The economic analysis showed that at present there is no economic case for any immediate action on widespread small meter replacement. However, WSO isolated the worst performing, most economic, meter groups (by size and make) for a targeted meter replacement program.
- The maintenance of the large meter population was reviewed in depth, and the overhaul schedule was analyzed and an optimized replacement schedule was developed to achieve two main goals: 1) LADWP will be able to implement the large meter maintenance schedule with its current work force, 2) potential revenue loss due to under-registration from large meters will be reduced to an economic optimum.
- Even though LADWP's real losses are low compared to most water utilities with 3.5% real losses, the analysis conducted by WSO clearly showed that there is an economic incentive to implement proactive real loss control (proactive leak detection, advanced pressure management, and the use of pressure zones for permanent water loss monitoring) and further reduce real losses. This is largely due to the relatively high cost of water and existing conservation targets. The real loss control program developed by WSO was identified as an additional component of LADWP's overall conservation portfolio and water resources management strategy.

Our work with LADWP is very similar in scope to the proposed program. Long-term water loss control plans were devised after detailed and thorough assessment of the system's initial water loss baseline and cost-effective options.

Reference Project #3 – Eastern Municipal Water District - Water Loss Control Program

Client:	Eastern Municipal Water District
Project Title:	Water Loss Control Program
WSO Lead and Key Personnel:	Reinhard Sturm, Project Director
Project Manager:	Katherine Gasner
Contact Person:	Ms. Khos Garderi, Director of Water Operations
Telephone Number:	(951) 928-3777 ext 6240
Email:	ghaderik@emwd.org
Project Start Date:	2011
Project Completion Date:	2012

Eastern Municipal Water District (EMWD) has been very proactive in controlling both real and apparent water losses through significant capital investment in system improvements, replacement of older parts of the system, and regular testing and replacement of meters. Nevertheless, in order to ensure accountability and efficient operation EMWD desired to update its previous water loss studies using new technologies and recognized approved best practices. EMWD contracted with WSO to achieve these goals. During this project WSO challenged (where possible) all relevant system input meters using state of the art flow measurement equipment and in house designed analytical tools to assess the accuracy of the existing raw or finished water flow meters at the EMWD's treatment plants. Through extensive analysis, all system water losses were categorized and quantified, and economically optimal level of losses was calculated so that specific cost-effective water loss control and conservation activities could be recommended.

A strong emphasis of the project was on knowledge transfer and training so that EMWD is able to carry out future water audits in-house.

Even though EMWD has a relatively young system and is proactive through capital investment in system improvements and replacement of older parts of the system the most project clearly showed that losses related to unreported leaks (leaks running underground without surfacing) have increased over the past years and are not at an economically optimum level. This is to be expected and explained by the fact that EMWD does not employ a comprehensive/proactive leak detection strategy which allows hidden leakage losses to increase due to the age related deterioration of the distribution network.

WSO provided EMWD with recommendations for controlling and reducing the volume of real losses to economic optimum levels. WSO designed a short to medium term water loss control strategy (including an implementation strategy) for EMWD, which is based on detailed economic analysis. EMWD is currently in the early stages of organizing funding for the water loss control program developed by WSO.

CITY OF YUBA CITY
STAFF REPORT

Date: September 1, 2015
To: Honorable Mayor & Members of the City Council
From: Public Works Department
Presentation by: Diana Langley, Public Works Director

Summary

Subject: Water Rebate Program – High Efficiency Washing Machines

Recommendation: A) Adopt a Resolution authorizing the Public Works Director to accept the 2014 Water-Energy Grant Award from the State of California – Department of Water Resources in the amount of \$24,000 to provide rebates for high efficiency washing machines to low income households within the target area.

B) Authorize staff to expand the scope of existing Water Rebate Program to include high efficiency washing machines in order to make rebates available to all Yuba City residents.

Fiscal Impact: Authorize the Finance Director to make a supplemental appropriation of \$24,000 to account 507-43432 (Washing Machine Grant Rebates) – No City match required. Washing machine rebates issued to customers in the DAC area will be paid from 7120-68061 for tracking purposes. Remaining \$14,721.11 allocated for the Water Rebate Program (7120-62761) to be applied toward all other rebates including: High efficiency toilets, smart irrigation timers, pre-rinse spray nozzles *and* high efficiency washing machines.

Purpose:

To expand the Water Rebate Program to encourage water and energy conservation.

Background:

In July 2014, the City launched its “Every Drop Counts” campaign in order to help educate the community on the importance of water conservation. As part of this initiative, a Water Rebate Program was also introduced and \$25,000 was allocated for this purpose. The current program provides financial incentives to residents for replacing the following items with more water efficient models:

- High Efficiency Toilets – Up to \$100
- Smart Irrigation Timers – Up to 50% or \$75, whichever is less
- Pre-Rinse Spray Nozzles (Commercial) – Up to \$50

To date, we have approved 96 water rebates totaling \$8,687.25. The breakdown is as follows:

- 85 High Efficiency Toilet Rebates (\$8,162.25)
- 7 Smart Irrigation Timers (\$525.00)

Analysis:

The 2014 Water-Energy Grant funding, administered by the CA Department of Water Resources would allow the City to provide a \$50 rebate to 480 households within disadvantaged areas of Yuba City. Disadvantaged areas (DAC) are assigned a percentage score based on demographic, economic and environmental factors pulled from census tract data. Disadvantaged areas with a score of 75% or higher meet the criteria for this grant (see Exhibit A).

Because some sections of Yuba City are not considered disadvantaged, residents in these areas do not meet the criteria for a grant funded rebate. However, staff recommends expanding the scope of the existing Water Rebate Program to make high efficiency washing machine rebates available to all Yuba City residents. Applications coming from DAC areas would be funded through the Water-Efficiency Grant and applications coming from non-DAC areas would be funded using remaining budget dollars previously allocated to the Water Rebate Program.

Staff will coordinate with local retailers to ensure stock of appropriate washing machine models. The City website and rebate application packet will be revised to include a list of qualifying products and updated terms and conditions for the high efficiency washing machine rebate program. Upon receipt of a rebate application and proof of purchase, a staff member will verify product eligibility and coordinate rebate disbursement with the Finance Department. Only washers purchased and installed after October 1, 2015 will be eligible.

Fiscal Impact:

Authorize the Finance Director to make a supplemental appropriation of \$24,000 to account 507-43432 (Washing Machine Grant Rebates) – No City match required. Washing machine rebates issued to customers in the DAC area will be paid from 7120-68061 for tracking purposes. Remaining \$14,721.11 allocated for the Water Rebate Program (7120-62761) to be applied toward all other rebates including: High efficiency toilets, smart irrigation timers, pre-rinse spray nozzles *and* high efficiency washing machines.

Alternatives:

1. Do not accept the 2014 Water-Energy Grant Award.
2. Increase the Water Conservation budget to expand the scope of the Water Rebate Program.
3. Leave the Water Rebate Program unchanged.

Recommendation:

a. Adopt a Resolution authorizing the Public Works Director to accept the 2014 Water-Energy Grant Award in the amount of \$24,000 to provide rebates for high efficiency washing machines to low income households within the target area.

b. Authorize staff to expand the scope of existing Water Rebate Program to include high efficiency washing machines in order to make rebates available to all Yuba City residents.

Prepared by:

Ciara Wakefield

Ciara Wakefield
Administrative Analyst, Public Works

Submitted by:

Steven C. Kroeger

Steven C. Kroeger
City Manager

Reviewed by:

Department Head

DL

Finance

RB

City Attorney

TH (Via e-mail)

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF YUBA CITY
AUTHORIZING ACCEPTANCE OF THE 2014 WATER-ENERGY GRANT AWARD
FROM THE STATE OF CALIFORNIA – DEPARTMENT OF WATER RESOURCES
FOR THE HIGH EFFICIENCY WASHING MACHINE REBATE PROGRAM.**

BE IT RESOLVED AND ORDERED BY THE CITY COUNCIL OF THE CITY OF YUBA CITY AS FOLLOWS:

That the Public Works Director is hereby authorized and directed to accept the 2014 Water-Energy Grant Award on behalf of the City of Yuba City from the State of California – Department of Water Resources for the high efficiency washing machine rebate program.

I HEREBY CERTIFY that the foregoing resolution was introduced and adopted at a regular meeting of the City Council of the City of Yuba City, held on the 1st day of September 2015, by the following vote:

Ayes:

Noes:

Absent:

John Dukes, Mayor

Attest:

Terrel Locke, City Clerk

CITY OF YUBA CITY
STAFF REPORT

Date: September 01, 2015
To: Honorable Mayor & Members of the City Council
From: Public Works Department
Presentation by: Diana Langley, Public Works Director

Summary

Subject: Bike Lane Striping Improvement Project (Plans and Specifications)
Recommendation: Adopt a Resolution approving the plans and specifications for the Bike Lane Striping Improvement Project and authorizing advertisement for bids on the project.
Fiscal Impact: Engineer's Construction Estimate \$138,039. Account No. 921170-65501 (Bike Lane Striping Upgrades – Right Turn Conflicts).

Purpose:

To eliminate right turn conflicts with bicyclists at 12 intersections.

Background:

The City has received approximately \$115,700 in federal funding through the Highway Safety Improvement Program (HSIP) to revise the striping at various intersections in the City to address right turn bicycle conflicts. HSIP funds have a minimum local match requirement of 10.00%.

The proposed project will remove existing striping, shift vehicle lane alignment, place new striping, and call for the installation of bicycle detector loops. The following intersections will be addressed in this project:

- Queens Ave at Live Oak Boulevard
- Queens Ave at Blevin Road
- Butte House Road and Stabler Lane
- Butte House Road and Civic Center Boulevard
- Butte House Road and Yuba Plaza
- Clark Street and B Street
- Franklin Ave and Clark Ave
- Percy Ave and Garden Highway
- Richland Road and Bunce Road
- Richland Road and Railroad Ave
- Lincoln Road and Walton Ave
- Shanghai Bend Road and Garden Highway

Analysis:

Public Works has prepared the plans, specifications, and estimate for the Bike Lane Striping Improvement Project. With Council approval of the plans and specifications and authorization to bid, staff anticipates the following schedule to complete the project:

Advertise for bid: September 2015
Award Contract: October 2015
Start of construction: Fall 2015
Completion: Fall 2015

The plans and specifications for the project are on file in the Public Works office for review. Construction management and inspection will be administered by the City's Public Works Department.

Fiscal Impact:

The estimated construction cost for the project is \$138,039 with a 10% minimum match required by the HSIP. CIP Account No. 921170-65501 (Bike Lane Striping Upgrades – Right Turn Conflicts) will be utilized.

Detailed fiscal impacts will be presented to Council at the award of the contract based on the actual bid amounts.

Alternatives:

Delay or modify recommended action.

Recommendation:

Adopt a Resolution approving the plans and specifications for the Bike Lane Striping Improvement Project and authorizing advertisement for bids on the project.

Prepared by:

Submitted by:

Manu Dhaliwal

Manu Dhaliwal
Assistant Engineer

Steven C. Kroeger

Steven C. Kroeger
City Manager

Reviewed by:

Department Head

DL

Finance

RB

City Attorney

TH (via e-mail)

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF YUBA CITY
APPROVING THE PLANS AND SPECIFICATIONS FOR THE BIKE
LANE STRIPING IMPROVEMENT PROJECT AND AUTHORIZING
ADVERTISEMENT FOR BIDS ON THE PROJECT.**

BE IT RESOLVED AND ORDERED by the City Council of the City of Yuba City that the plans and specifications for the Bike Lane Striping Improvement Project be approved.

BE IT FURTHER RESOLVED AND ORDERED by the City Council of the City of Yuba City that the Department of Public Works is hereby authorized and directed to advertise for bids for the Bike Lane Striping Improvement Project.

I HEREBY CERTIFY that the foregoing resolution was introduced and adopted at a regular meeting of the City Council of the City of Yuba City, held on the 1st day of September 2015, by the following vote:

Ayes:

Noes:

Absent:

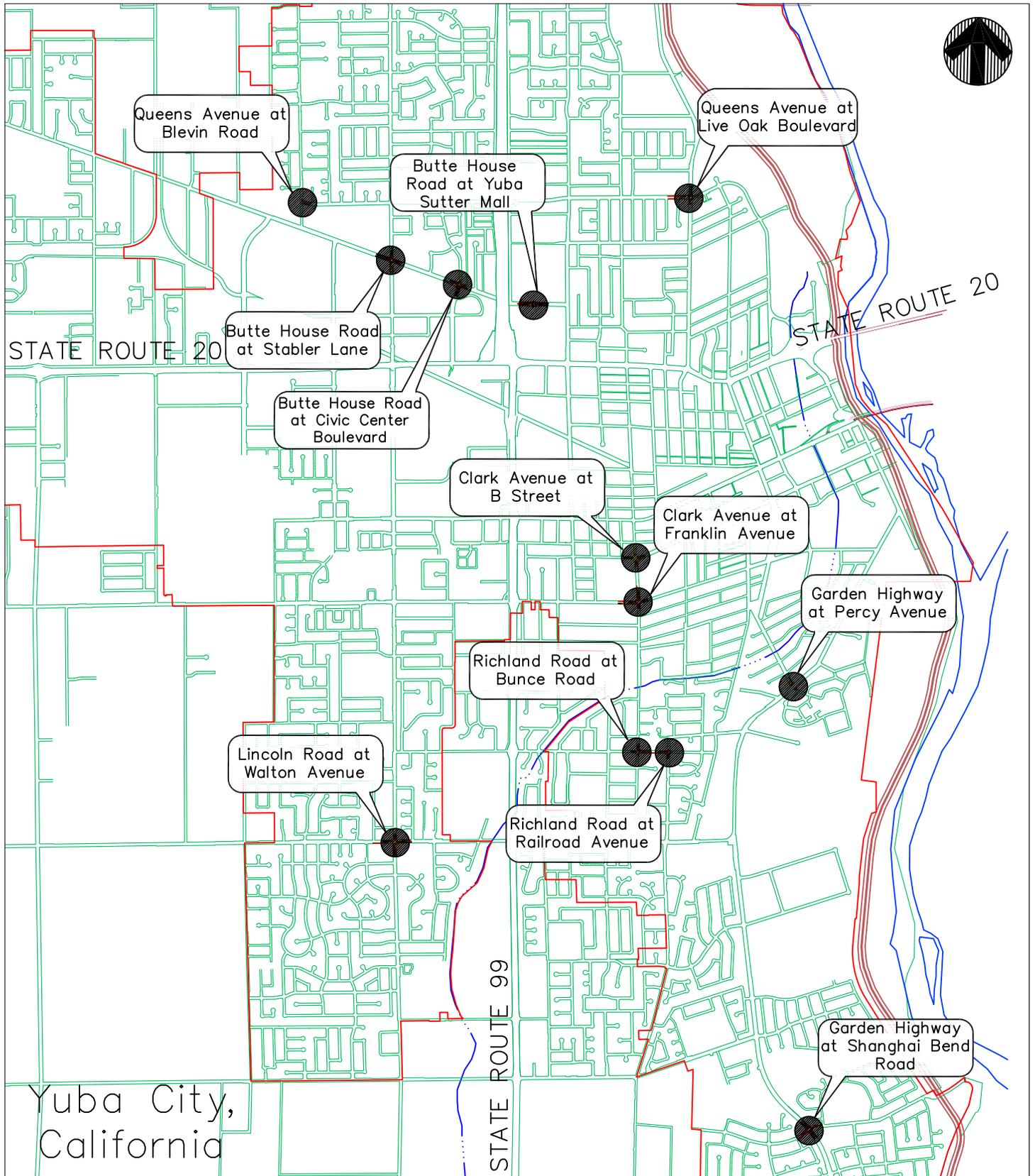
John Dukes, Mayor

Attest:

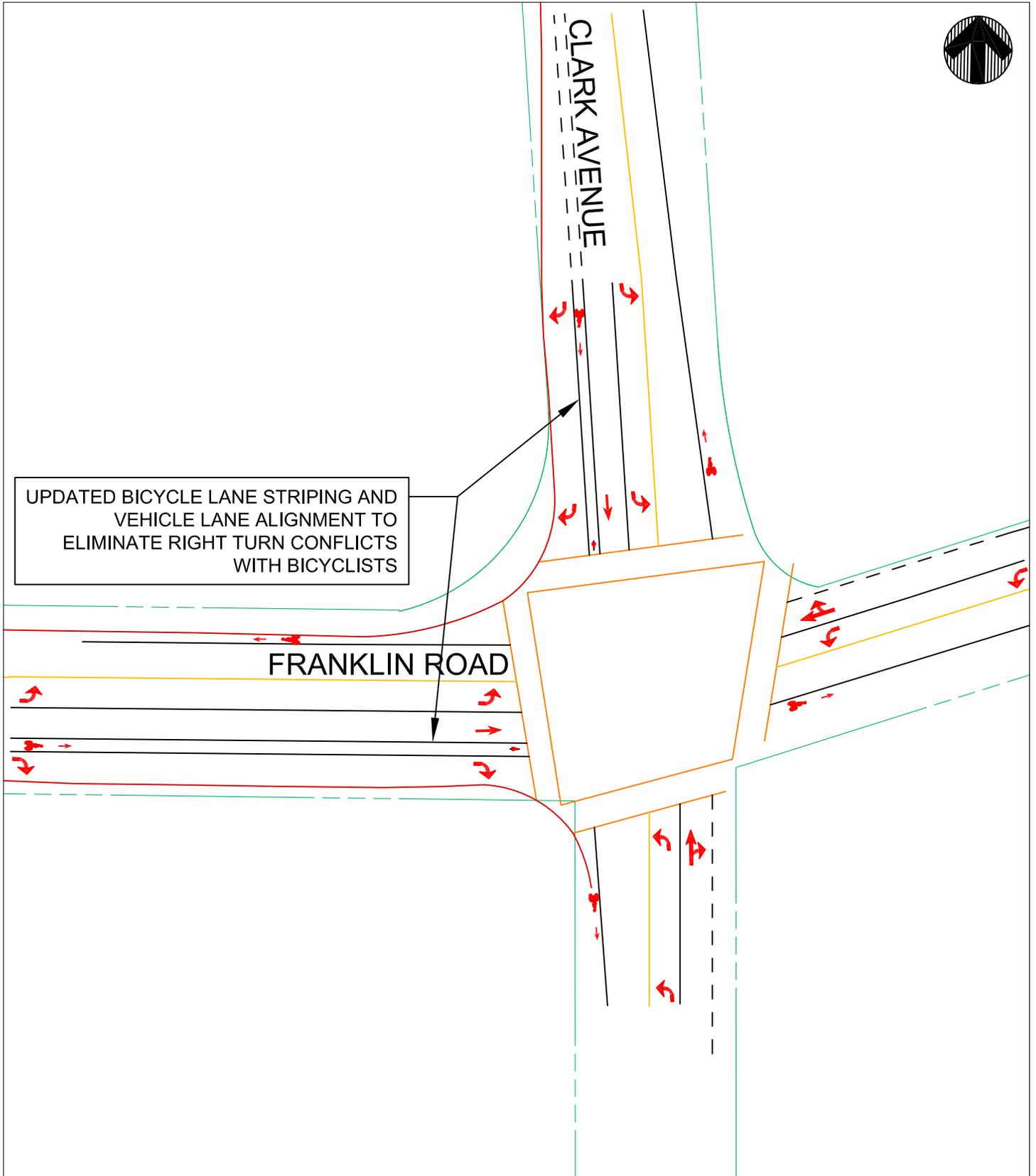
Terrel Locke, City Clerk

EXHIBIT A – PROJECT VICINITY MAP BIKE LANE STRIPING IMPROVMENT PROJECT

SCALE 1" = 3000'



BIKE LANE STRIPING IMPROVEMENT PROJECT FRANKLIN ROAD AND CLARK AVENUE ELIMINATING RIGHT TURN CONFLICTS



CITY OF YUBA CITY
STAFF REPORT

Date: September 1, 2015
To: Honorable Mayor & Members of the City Council
From: Public Works Department
Presented by: Mandeep S. Chohan, Senior Engineer

Summary

Subject: Grant funds for the completion of a Recycled Water Facilities Plan

Recommendation: Adopt a Resolution authorizing the Public Works Director or designee to:

- A) Sign and file a Financial Assistance Application, for and on behalf of the City, for a grant agreement from the State Water Resources Control Board for the planning, design, and/or construction of the Yuba City Recycled Water Facilities,
- B) To provide assurances, certifications, and commitments required for the financial assistance application, including a financial assistance agreement from the State Water Resources Control Board and any amendments or changes thereto, and
- C) To represent the City in carrying out the City's responsibilities under the grant agreement, including certifying disbursement requests on behalf of the City and compliance with applicable state and federal laws.

Fiscal Impact: None at this time. The grant allows maximum \$75,000 with \$75,000 local match. The funding for the local match is available in the adopted 2015-16 Wastewater CIP budget.

Purpose:

To acquire Grant Funds to complete a Recycled Water Facilities Plan for the Wastewater Treatment Facility.

Background:

The State Water Resources Control Board provides grant funding to local public agencies for the preparation of Recycled Water Plans. The primary reason for this planning study grant is to help the local public agencies to determine the feasibility of using recycled water and selecting a preferred alternative to offset or augment the use of fresh/potable water from the state and/or local supplies.

The City, along with the City of Marysville and Linda County Water Agency, received a similar planning grant in 2007 and a regional recycled water master plan was developed looking at using recycled water for agricultural purposes. At that time, the preferred alternative was

determined not feasible because the cost to produce recycled water was greater than the cost of fresh water supplies.

The City's adopted, 2015-16, Wastewater Capital Improvement Program (CIP), budget provides funding to again explore options and opportunities for water recycling. The existing funding in the budget will be used for the required 50 percent local match.

Analysis:

The new grant funding will provide opportunity to develop a new recycling water facility plan, looking at improvements to the City's Wastewater Treatment Facility to produce either tertiary or fully advanced treated effluent, and would investigate the potential use of recycled water at the Sutter National Wildlife Refuge and the development of a groundwater recharge indirect potable reuse project. These potential areas of reuse were not investigated in the 2007 Regional Recycled Master Plan.

It is important to evaluate potential options/opportunities to recycle the treated wastewater at the Wastewater Treatment Facility. This Plan will also help the Wastewater Treatment Facility to evaluate options for advanced treatment for the anticipated future upgrades and to incorporate necessary upgrades in the improvement projects that are currently underway.

In addition, the State Water Resources Control Board provides grant funding to cover the design and construction costs for the feasible recycled water projects/facilities. The proposed Recycled Water Plan is the first step to identify an eligible and feasible project for such grant funding.

If the Wastewater Treatment Facility's future discharge permit for the treated water requires tertiary or advanced treatment upgrades then without the grant funding, the required upgrades will need to be funded through the low interest State Revolving Fund or conventional bonds.

The grant covers 50 percent of eligible costs up to \$75,000.

To complete the Financial Assistance Application the State Water Resources Control Board requires adopting the recommended Resolution.

The application process takes approximately three months for review and approval by the State. City staff will work with its Consultant, RMC Water and Environment, to prepare the Plan after the approval of the grant application. It is anticipated that Plan will be complete by April 2016.

Fiscal Impact:

None at this time. The grant allows maximum \$75,000 with \$75,000 local match. The funding for local match is available in the adopted 2015-16 Wastewater CIP budget.

Alternatives:

1. Do not adopt the recommended Resolution.
2. Direct staff to pursue other means of financing.

Recommendation:

Adopt a Resolution authorizing the Public Works Director or designee to:

- A) Sign and file a Financial Assistance Application, for and on behalf of the City, for a grant agreement from the State Water Resources Control Board for the planning, design, and/or construction of the Yuba City Recycled Water Facilities,
- B) To provide assurances, certifications, and commitments required for the financial assistance application, including a financial assistance agreement from the State Water Resources Control Board and any amendments or changes thereto, and
- C) To represent the City in carrying out the City's responsibilities under the grant agreement, including certifying disbursement requests on behalf of the City and compliance with applicable state and federal laws.

Prepared By:

Mandeep S. Chohan

Mandeep S. Chohan
Senior Engineer

Submitted By:

Steven C. Kroeger

Steven C. Kroeger
City Manager

Reviewed By:

Department Head

DL

Finance

RB

City Attorney

TH (via email)

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF YUBA CITY
DESIGNATING AND AUTHORIZING A REPRESENTATIVE TO SUBMIT A FINANCIAL
ASSISTANCE APPLICATION FOR THE GRANT AGREEMENT, EXECUTE A FINANCIAL
ASSISTANCE AGREEMENT AND AMENDMENTS OR CHANGES THERETO AND CERTIFY
FINANCING AGREEMENT DISBURSEMENTS ON BEHALF OF THE CITY OF YUBA CITY
FOR THE IMPLEMENTATION OF YUBA CITY RECYCLED WATER FACILITIES PLAN**

WHEREAS, The City of Yuba City (City) desires to undertake a Recycled Water Facilities Plan to be funded in part from funds made available through the State Water Resources Control Board.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF YUBA CITY, AS FOLLOWS:

The Public Works Director (the "Authorized Representative") or designee is hereby authorized and directed to sign and file, for and on behalf of the City of Yuba City, a Financial Assistance Application for a grant agreement from the State Water Resources Control Board for the planning, design, and/or construction of Yuba City Recycled Water Facilities Plan (the "Project").

This Authorized Representative, or his/her designee, is designated to provide the assurances, certifications, and commitments required for the financial assistance application, including executing a financial assistance agreement from the State Water Resources Control Board and any amendments or changes thereto.

The Authorized Representative, or his/her designee, is designated to represent the City in carrying out the City's responsibilities under the grant agreement, including certifying disbursement requests on behalf of the City and compliance with applicable state and federal laws.

CERTIFICATION

I HEREBY CERTIFY that the foregoing resolution was introduced and adopted at a regular meeting of the City Council of the City of Yuba City, held on the 1st day of September 2015, by the following vote:

Ayes:

Noes:

Absent:

John Dukes, Mayor

Attest:

Terrel Locke, City Clerk

CITY OF YUBA CITY
STAFF REPORT

Date: September 1, 2015
To: Honorable Mayor & Members of the City Council
From: Finance/IT Department
Presentation by: Robin Bertagna, CPA, Finance Director

Summary

Subject: Refunding of 2004 and 2007 Series Outstanding Revenue Bonds of the Successor Agency to the Former Redevelopment Agency of the City of Yuba City

Recommendation: Adopt a Resolution Authorizing the issuance and sale of tax allocation refunding bonds to refinance outstanding 2004 and 2007 tax allocation bonds, requesting certain actions and findings by the Oversight Board, and approving related documents and matters

Fiscal Impact: The Successor Agency will recognize annual savings of approximately \$345,000 per year from fiscal year 2015-16 through fiscal year 2039-40. This equates to approximately \$3.5 million of net present value savings over the remaining life of the bond issue.

Purpose:

To refinance the 2004 and 2007 Tax Allocation Bonds at a lower interest rate and achieve significant savings on annual debt service.

Background:

The Successor Agency to the former Redevelopment Agency of the City of Yuba City ("Successor Agency") will consider approving the issuance of refunding bonds in order to refund the former Redevelopment Agency's 2004 and 2007 Tax Allocation Bonds (collectively, the "2004 and 2007 Bonds"), approving the execution and delivery of an indenture of trust, approving agreements for professional services necessary for the issuance of the refunding bonds, requesting Oversight Board approval of the issuance of the refunding bonds and the approval of professional services contracts, requesting certain determinations by the Oversight Board, and providing for other matters properly relating thereto.

Analysis:

The Successor Agency Resolution provided as Attachment 1 directs the Successor Agency to undertake the refunding of the 2004 and 2007 Bonds. The Resolution approves the refinancing of the 2004 and 2007 Tax Allocation Bonds and finds that the issuance is in the financial interests of the taxing entities and will comply with all governing laws. The 2004 and 2007 Bonds are being refunded in order to reduce remaining debt service payments. This will increase the amount of Residual Redevelopment Property Tax Trust Funds ("RPTTF") that are

available to distribute to affected taxing entities. It will also improve the coverage ratio of available tax RPTTF to annual debt service.

Staff recommends the Successor Agency adopt the attached Resolution (Attachment 1) directing the Successor Agency to prepare the proceedings for the refunding of the 2004 and 2007 Bonds. Prior to the sale of any refunding bonds, the Oversight Board must also approve a similar Resolution. That meeting is scheduled for September 2nd. Assuming Oversight Board approval, the resolution and related bond issuance documents (e.g., savings analysis memo and indenture of trust) will be transmitted to the California Department of Finance for review, which could take up to 65 days.

Fiscal Impact:

Attachment 2, the Memorandum to Oversight Board and Department of Finance contains a thorough summary of the fiscal impact of the proposed refunding. While the overall savings are considerable, estimated at about \$345,000 per year, the City of Yuba City's General Fund will only receive about 21% of those savings, or about \$70,000 per year. Most of the rest of the savings will go to the State of California, either directly or indirectly. Note that the allocation of RPTTF from a refunding of the 2004 and 2007 Bonds does not match the allocation of the 1% of assessed valuation "Prop 13" property taxes under the 2011 State legislation dissolving redevelopment agencies. The allocations of RPTTF savings shown in Attachment 2 follow the allocations prescribed by the 2011 legislation.

In addition it is important to note that the current coverage of annual debt service from available RPTTF is currently very thin. This is primarily due to successful appeals of assessed valuation by some of the former Redevelopment Agency's largest taxpayers. The refunding will significantly improve this coverage.

Because of the thin coverage, the Successor Agency has been allowed by the State Department of Finance to retain cash reserves of the former Redevelopment Agency to cover shortfalls in debt service payments without having to instead take money that would otherwise go to Sutter County, the Water Agency and the Gilsizer Drainage District through their subordinated pass through agreements. In order to improve the credit rating on the proposed refunding bonds and lower the interest rate, the Successor Agency's finance team proposes that these remaining funds (about \$500,000) be formally pledged to the refunding bonds. The combination of the cash flow savings from the refunding and recent increases in assessed valuation should nearly eliminate the cash flow deficit. Consequently, the formal pledge of remaining reserves of the redevelopment agency will save this money from otherwise being spent on debt service on the 2004 and 2007 Bonds.

Assessed valuation in the former project area of the Redevelopment Agency increased in FY 2014-15, and is expected to increase again in FY 2015-16. There have been no more successful appeals by some of the largest taxpayers.

Assuming approval by the Successor Agency, the Oversight Board and the State Department of Finance, the bonds are expected to be sold and closed in December, 2015. This means that the first cash distributions of RPTTF to taxing entities, including the City of Yuba City's General Fund, that show an increase as a result of the proposed refunding would take place in June, 2016.

Alternatives:

Do not proceed with the refinancing. If this option is chosen, the Successor Agency will continue to pay debt service on the existing 2004 and 2007 Tax Allocation Bonds and forego the interest savings.

Recommendation:

Staff recommends approval of the Resolution of the Successor Agency to the Redevelopment Agency of the City of Yuba City authorizing the issuance and sale of Tax Allocation Refunding Bonds to refinance outstanding 2004 and 2007 Tax Allocation Bonds, requesting certain actions and findings by the Oversight Board, and approving related documents and matters.

Attachments:

- Resolution of the Board of Directors of the Successor Agency to the Redevelopment Agency of the City of Yuba City authorizing the issuance and sale of Tax Allocation Refunding Bonds.
- Memorandum to Oversight Board and Department of Finance by NHA Advisors Regarding Refunding Outstanding Bonds (will be available and distributed prior to City Council meeting).
- Indenture of Trust
- Escrow Agreement
- Bond Purchase Agreement

Prepared By:

Robin Bertagna
Robin Bertagna, CPA
Finance Director

Submitted By:

Steven C. Kroeger
Steven C. Kroeger
City Manager

Reviewed By:

City Attorney

TH (via email)

RESOLUTION NO. _____

**RESOLUTION OF THE SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF YUBA CITY
AUTHORIZING THE ISSUANCE AND SALE OF TAX ALLOCATION
REFUNDING BONDS TO REFINANCE OUTSTANDING 2004 AND 2007
TAX ALLOCATION BONDS, REQUESTING CERTAIN ACTIONS AND
FINDINGS BY THE OVERSIGHT BOARD, AND APPROVING
RELATED DOCUMENTS AND MATTERS**

WHEREAS, pursuant to Section 34172(a) of the California Health and Safety Code (the "Code"), the Redevelopment Agency of the City of Yuba City (the "Former Agency") has been dissolved and no longer exists as a public body, corporate and politic, and pursuant to Section 34173 of the Code, the City Council of the City of Yuba City (the "City") has elected to serve as the legislative body for the successor entity to the Former Agency (the "Successor Agency"); and

WHEREAS, in order to finance various programs, projects and activities of the Former Agency relating to the Yuba City Redevelopment Project, the Former Agency has previously issued the following bonds which are payable from and secured by a pledge of certain tax increment revenues derived from the Yuba City Redevelopment Project Area:

- (a) the Redevelopment Agency of the City of Yuba City, Yuba City Redevelopment Project 2004 Tax Allocation Bonds, Series A (the "2004 Series A Bonds"), which were issued by the Former Agency in the aggregate original principal amount of \$16,210,000,
- (b) the Yuba City Redevelopment Project 2004 Housing Set-Aside Revenue Bonds, Series B (the "2004 Series B Bonds"), which were issued by the Former Agency in the aggregate original principal amount of \$4,480,000, and
- (c) the Yuba City Redevelopment Project 2007 Tax Allocation Bonds (the "2007 Bonds") which were issued by the Former Agency in the aggregate original principal amount of \$16,000,000; and

WHEREAS, as provided in Section 34177.5(a)(1) of the Code, the Successor Agency is authorized to issue its bonds for the purpose of refunding the 2004 Series A Bonds, the 2004 Series B Bonds and the 2007 Bonds (collectively, the "Prior Bonds"), in whole or in part, under Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Refunding Bond Law"), provided that the total interest cost to maturity on the refunding bonds plus the principal amount of the refunding bonds does not exceed the total remaining interest cost to maturity on the Prior Bonds to be refunded plus the remaining principal of the Prior Bonds to be refunded (the "Minimum Savings Threshold"); and

WHEREAS, pursuant to Section 34179 of the Code, an oversight board (the "Oversight Board") has been established for the Successor Agency and the Successor

Agency has determined to request that the Oversight Board direct the Successor Agency to undertake proceedings for the issuance of its Yuba City Redevelopment Project 2015 Tax Allocation Refunding Bonds (the "Refunding Bonds") under the Refunding Bond Law for the purpose of refunding all or a portion of the Prior Bonds, provided that the Minimum Savings Threshold is achieved with respect to the refunding of the Prior Bonds as set forth in Section 34177.5(a)(1) of the Code, it being understood that such direction by the Oversight Board will enable the Successor Agency to recover its related costs in connection with such refunding proceedings as authorized by Section 34177.5(f) of the Code; and

WHEREAS, the Successor Agency has also determined to request that the Oversight Board approve the issuance, sale and delivery of the Refunding Bonds by the Successor Agency, as authorized by Section 34177.5(f) of the Code, and that the Oversight Board make certain determinations described below on which the Successor Agency will rely in undertaking the refunding proceedings and the issuance, sale and delivery of the Refunding Bonds; and

WHEREAS, the Successor Agency has caused an analysis to be made of the potential savings that will accrue to the Successor Agency and other affected taxing entities as a result of such refunding (the "Debt Service Savings Analysis") and has determined to present the Debt Service Savings Analysis to the Oversight Board for its consideration; and

WHEREAS, following the action by the Oversight Board approving the issuance of the Refunding Bonds and upon approval by the California Department of Finance, the Successor Agency intends to approve the final form of an Official Statement and other financing documents relating to the Refunding Bonds;

NOW, THEREFORE, THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF YUBA CITY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Determination of Savings. The Successor Agency has determined that there are significant potential savings available to the Successor Agency and to applicable taxing entities and that the Minimum Savings Threshold can be achieved by the issuance by the Successor Agency of the Refunding Bonds to provide funds to refund all or a portion of the Prior Bonds, as evidenced by the Debt Service Savings Analysis on file with the Secretary of the Successor Agency, which is hereby approved.

Section 2. Request for Direction; Findings. The Oversight Board is hereby requested to direct the Successor Agency to undertake such refunding proceedings pursuant to Section 34177.5(a)(1) of the Code for the issuance, sale and delivery of the Refunding Bonds.

Section 3. Approval of Issuance of the Refunding Bonds. The Successor Agency hereby authorizes and approves the issuance of the Refunding Bonds under the Refunding Bond Law in the aggregate principal amount of not to exceed \$38,000,000 for the purpose of providing funds to refund all or a portion of the Prior Bonds. The Refunding Bonds shall only be issued to refund the Prior Bonds in the event that the Minimum Savings Threshold set forth in Section 34177.5(a)(1) of the Code is met with respect to such refunding.

Section 4. Indenture of Trust. The Successor Agency hereby approves the Indenture of Trust prescribing the terms and provisions of the Refunding Bonds and the application of the proceeds of the Refunding Bonds. The Chair, as the presiding officer of the Successor Agency, or the Executive Director, as the chief administrative officer of the Successor Agency (each, an “Authorized Officer”), are hereby authorized and directed to execute and deliver, and the Secretary of the Successor Agency is hereby authorized and directed to attest to, the Indenture of Trust for and in the name and on behalf of the Successor Agency, in substantially the form on file with the Secretary of the Successor Agency, with such changes therein, deletions therefrom and additions thereto as an Authorized Officer shall approve, such approval to be conclusively evidenced by the execution and delivery of the Indenture of Trust. The Successor Agency hereby authorizes the delivery and performance of the Indenture of Trust.

Section 5. Escrow Agreement. The Successor Agency hereby approves the Escrow Agreement prescribing the provisions for refunding all or a portion of the Prior Bonds. An Authorized Officer is hereby authorized and directed to execute and deliver the Escrow Agreement for and in the name and on behalf of the Successor Agency, in substantially the form on file with the Secretary of the Successor Agency, with such changes therein, deletions therefrom and additions thereto as an Authorized Officer shall approve, such approval to be conclusively evidenced by the execution and delivery of the Escrow Agreement. The Successor Agency hereby authorizes the delivery and performance of the Escrow Agreement.

Section 6. Sale of Refunding Bonds; Bond Purchase Agreement. The Successor Agency hereby approves the sale of the Refunding Bonds on a negotiated basis to an underwriting firm (the “Underwriter”) to be designated by the Executive Director of the Successor Agency upon the advice and consultation of NHA Advisors LLC, as financial advisor to the Successor Agency. Such sale shall be accomplished pursuant to the Bond Purchase Agreement in substantially the form on file with the Secretary with such changes therein, deletions therefrom and additions thereto as an Authorized Officer shall approve, such approval to be conclusively evidenced by the execution and delivery of the Bond Purchase Agreement. The Successor Agency hereby authorizes the delivery and performance of the Bond Purchase Agreement.

Section 7. Further Approvals. Following the action by the Oversight Board approving the issuance of the Refunding Bonds and upon approval by the California Department of Finance, the Successor Agency intends to approve the final form of an Official Statement and other financing documents relating to the Refunding Bonds, and to take such further actions as may be required to implement the issuance, sale and delivery of the Refunding Bonds.

Section 8. Oversight Board Approval of the Issuance of the Refunding Bonds. The Successor Agency hereby requests that the Oversight Board approve the issuance, sale and delivery of the Refunding Bonds under this Resolution and the Indenture of Trust, as above described.

Section 9. Filing of this Resolution. The Secretary is hereby authorized and directed to file a certified copy of this Resolution with the Oversight Board, together with the Debt Service Savings Analysis, and, as provided in Section 34180(j) of the Code,

with the Sutter County Administrative Officer, the Sutter County Auditor-Controller and the California Department of Finance.

Section 10. Determinations by the Oversight Board. The Successor Agency requests that the Oversight Board make the following determinations upon which the Successor Agency will rely in undertaking the refunding proceedings and the issuance, sale and delivery of the Refunding Bonds:

- (a) The Successor Agency is authorized, as provided in Section 34177.5(f) of the Code, to recover its costs related to the issuance of the Refunding Bonds from the proceeds of the Refunding Bonds, including the cost of reimbursing the City of Yuba City for administrative staff time and legal costs spent with respect to the authorization, issuance, sale and delivery of the Refunding Bonds.
- (b) The authorization and sale of the Refunding Bonds, and the application of proceeds thereof to the refunding of all or a portion of the Prior Bonds and the payment of costs of issuance, as provided in the Indenture of Trust and authorized by §34177.5(a) of the Code, shall be implemented by the Successor Agency, notwithstanding any other provision of law to the contrary, without the requirement for further approval from the Oversight Board, the California Department of Finance, the Sutter County Auditor-Controller or any other person or entity other than the Successor Agency.
- (c) The Successor Agency shall be entitled to receive its full administrative cost allowance under Section 34182 of the Code without any deductions with respect to continuing costs related to the Refunding Bonds, such as trustee's fees, auditing and fiscal consultant fees and continuing disclosure and rating agency costs, and such continuing costs shall be payable from property tax revenues pursuant to Section 34183 of the Code. In addition and as provided by Section 34177.5(f) of the Code, if the Successor Agency is unable to complete the issuance of the Refunding Bonds for any reason, the Successor Agency shall, nevertheless, be entitled to recover its costs incurred with respect to the refunding proceedings from such property tax revenues pursuant to Section 34183 of the Code without reduction in its administrative cost allowance.

Section 11. Appointments. The appointments of Jones Hall, A Professional Law Corporation, as bond counsel and disclosure counsel, NHA Advisors LLC, as financial advisor, and Fraser & Associates as fiscal consultant, are hereby confirmed to act on behalf of the Successor Agency in the presentation of this Resolution to the Oversight Board and for purposes of the proceedings for the issuance, sale and delivery of the Refunding Bonds. An Authorized Officer is hereby authorized and directed to enter into an agreement with each of said firms in the respective forms on file with the Secretary.

Section 12. Official Actions. The Authorized Officers and any and all other officers of the Successor Agency are hereby authorized and directed, for and in the

name and on behalf of the Successor Agency, to do any and all things and take any and all actions, which they, or any of them, may deem necessary or advisable in obtaining the requested approvals by the Oversight Board and the California Department of Finance and to implement the sale and delivery of the Refunding Bonds. Whenever in this Resolution any officer of the Successor Agency is directed to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

Section 13. Effective Date. This Resolution shall take effect from and after its passage and adoption.

PASSED, APPROVED AND ADOPTED at a regular meeting of the Successor Agency to the Redevelopment Agency of the City of Yuba City on the 1st day of September, 2015, by the following vote:

Ayes:

Noes:

Absent:

Chairperson

ATTEST:

Secretary

INDENTURE OF TRUST

dated as of December 1, 2015

between the

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF YUBA CITY**

and

**MUFG UNION BANK, N.A.,
*as Trustee***

Relating to

\$_____
Successor Agency To The Redevelopment Agency of the City of Yuba City
Yuba City Redevelopment Project
2015 Tax Allocation Refunding Bonds

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I	
Definitions; Rules of Construction	
Section 1.01. Definitions	3
Section 1.02. Authorization	3
Section 1.03. Interpretation	3
ARTICLE II	
Authorization and Terms of Bonds	
Section 2.01. Authorization and Purpose of Bonds	3
Section 2.02. Terms of the Bonds	4
Section 2.03. Redemption of Bonds	5
Section 2.04. Book Entry System	7
Section 2.05. Form and Execution of Bonds	9
Section 2.06. Transfer and Exchange of Bonds	9
Section 2.07. Registration Books	10
Section 2.08. Bonds Mutilated, Lost, Destroyed or Stolen	10
ARTICLE III	
Deposit and Application of Bond Proceeds	
Section 3.01. Issuance of Bonds	11
Section 3.02. Deposit and Application of Bond Proceeds	11
Section 3.03. Costs of Issuance Fund	11
ARTICLE IV	
Security for the Bonds; Flow of Funds; Investments	
Section 4.01. Security of Bonds; Equal Security	12
Section 4.02. Deposit and Application of Tax Revenues	12
Section 4.03. Debt Service Fund; Transfer of Amounts to Trustee	13
Section 4.04. Investment of Moneys in Funds	14
Section 4.05. Valuation and Disposition of Investments	15
ARTICLE V	
Other Covenants of the Successor Agency	
Section 5.01. Punctual Payment	16
Section 5.02. Compliance with the Dissolution Act; Recognized Obligation Payment Schedules	16
Section 5.03. Payment of Claims	17
Section 5.04. Books and Accounts; Financial Statements; Additional Information	17
Section 5.05. Protection of Security and Rights of Owners	18
Section 5.06. Payments of Taxes and Other Charges	18
Section 5.07. Compliance with Plan Limitations	18
Section 5.08. No Senior Lien Debt	18
Section 5.09. Limitation on Additional Indebtedness	18
Section 5.10. Tax Covenants Relating to the Bonds	19
Section 5.11. Continuing Disclosure	20
Section 5.12. Compliance with Parity Debt Documents	20
Section 5.13. Further Assurances	20

ARTICLE VI

The Trustee

Section 6.01. Duties, Immunities and Liabilities of Trustee20
Section 6.02. Merger or Consolidation.....22
Section 6.03. Liability of Trustee22
Section 6.04. Right to Rely on Documents24
Section 6.05. Preservation and Inspection of Documents24
Section 6.06. Compensation and Indemnification.....24
Section 6.07. Accounting Records and Financial Statements25
Section 6.08. Provisions Relating to Reserve Policy25

ARTICLE VII

Modification or Amendment of this Indenture

Section 7.01. Amendments Permitted25
Section 7.02. Effect of Supplemental Indenture.....26
Section 7.03. Endorsement or Replacement of Bonds After Amendment26
Section 7.04. Amendment by Mutual Consent.....27
Section 7.05. Trustee's Reliance27

ARTICLE VIII

Events of Default and Remedies

Section 8.01. Events of Default and Acceleration of Maturities27
Section 8.02. Notice of Event of Default28
Section 8.03. Application of Funds Upon Event of Default29
Section 8.04. Power of Trustee to Control Proceedings29
Section 8.05. Limitation on Owners' Right to Sue30
Section 8.06. Non-waiver30
Section 8.07. Actions by Trustee as Attorney-in-Fact31
Section 8.08. Remedies Not Exclusive31

ARTICLE IX

Miscellaneous

Section 9.01. Benefits Limited to Parties31
Section 9.02. Successor is Deemed Included in All References to Predecessor31
Section 9.03. Defeasance of Bonds.....32
Section 9.04. Execution of Documents and Proof of Ownership by Owners33
Section 9.05. Waiver of Personal Liability.....33
Section 9.06. Destruction of Canceled Bonds34
Section 9.07. Notices34
Section 9.08. Partial Invalidity34
Section 9.09. Unclaimed Moneys34
Section 9.10. Execution in Counterparts.....35
Section 9.11. Third-Party Beneficiary35
Section 9.12. Governing Law35

APPENDIX A DEFINITIONS

APPENDIX B FORM OF BOND

APPENDIX C PROVISIONS RELATING TO RESERVE POLICY

INDENTURE OF TRUST

This INDENTURE OF TRUST (this "Indenture"), dated as of December 1, 2015, is between the SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF YUBA CITY, a public entity duly organized and existing under the laws of the State of California (the "Successor Agency"), and MUFG UNION BANK, N.A., a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee").

B A C K G R O U N D :

1. The Redevelopment Agency of the City of Yuba City (the "Former Agency") was formerly a public body, corporate and politic, duly established and authorized to transact business and exercise powers under the provisions of Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Redevelopment Law").

2. Under the Redevelopment Law, the Former Agency and the City Council of the City of Yuba City have previously adopted a redevelopment plan for the Yuba City Redevelopment Project (the "Redevelopment Project"), a duly designated redevelopment project in the City of Yuba City.

3. In order to finance and refinance various programs, projects and activities of the Agency relating to the Redevelopment Project, the Former Agency has previously issued the following bonds and other obligations which are payable from and secured by a pledge of certain tax increment revenues derived from the Redevelopment Project:

- (a) the Redevelopment Agency of the City of Yuba City, Yuba City Redevelopment Project 2004 Tax Allocation Bonds, Series A (the "2004 Series A Bonds"), which were issued by the Former Agency in the aggregate principal amount of \$16,210,000;
- (b) the Yuba City Redevelopment Project 2004 Housing Set-Aside Revenue Bonds, Series B (the "2004 Series B Bonds"), which were issued by the Former Agency in the aggregate principal amount of \$4,480,000;
- (c) the Tax Allocation Loan Agreement dated as of June 1, 2005, between the Former Agency and the California Infrastructure and Economic Development Bank (the "Infrastructure Bank") under which the Infrastructure Bank has made a loan to the Agency (the "2005 IBank Loan") in the aggregate principal amount of \$1,905,700; and
- (d) the Yuba City Redevelopment Project 2007 Tax Allocation Bonds (the "2007 Bonds") which were issued by the Former Agency in the aggregate principal amount of \$16,000,000.

4. Assembly Bill X1 26, effective June 29, 2011 (the "Dissolution Act"), resulted in the dissolution of the Former Agency as of December 1, 2012, and the

vesting in the Successor Agency of all of the authority, rights, powers, duties and obligations of the Former Agency, and pursuant to the Dissolution Act the City Council of the City of Yuba City has adopted its resolution electing to administer the Successor Agency.

5. Under Section 34177.5(a)(1) of the Redevelopment Law, the Successor Agency is authorized to issue bonds under Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Refunding Bond Law") for the purpose of achieving debt service savings in accordance with the parameters set forth in said Section 34177.5(a)(1).

6. The Successor Agency has authorized the issuance of its Successor Agency To The Redevelopment Agency of the City of Yuba City, Yuba City Redevelopment Project 2015 Tax Allocation Refunding Bonds in the aggregate principal amount of \$_____ (the "Bonds") for the purpose of refunding all of the outstanding 2004 Series A Bonds, 2004 Series B Bonds and 2007 Bonds, and thereby achieving debt service savings in accordance with the provisions of Section 34177.5(a)(1) of the Redevelopment Law.

7. The Bonds will be secured by a pledge of and lien on the tax increment revenues derived from the Redevelopment Project and from amounts on deposit in the Redevelopment Property Tax Trust Fund and the Redevelopment Obligation Retirement Fund, on a parity with the pledge and lien which secure the 2005 IBank Loan.

8. The Successor Agency has determined that all acts and proceedings required by law necessary to make the Bonds, when executed by the Successor Agency, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Successor Agency, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done or taken.

A G R E E M E N T :

In order to secure the payment of the principal of and the interest and redemption premium (if any) on all the Outstanding Bonds under this Indenture according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the Successor Agency and the Trustee do hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION

SECTION 1.01. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms defined in Appendix A attached to this Indenture have the respective meanings specified in Appendix A when used in this Indenture. All terms defined in the recitals of this Indenture and not otherwise defined herein shall have the respective meanings given such terms in the recitals.

SECTION 1.02. *Authorization.* Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Indenture, and has taken all actions necessary to authorize the execution hereof by the officers and persons signing it.

SECTION 1.03. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

AUTHORIZATION AND TERMS OF BONDS

SECTION 2.01. *Authorization and Purpose of Bonds.* The Successor Agency has reviewed all proceedings heretofore taken and as a result of such review has found, and hereby finds and determines, that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Successor Agency is now duly empowered, under each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture.

The Successor Agency hereby authorizes the issuance of the Bonds under the Refunding Bond Law, for the purpose of providing funds to refinance all of the outstanding 2004 Series A Bonds, 2004 Series B Bonds and 2007 Bonds. The Bonds shall be designated the "Successor Agency To The Redevelopment Agency of the City

of Yuba City, Yuba City Redevelopment Project 2015 Tax Allocation Refunding Bonds” and shall be issued in the aggregate principal amount of \$_____.

SECTION 2.02. *Terms of the Bonds.* The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Bonds shall be dated as of the Closing Date, and shall mature on September 1 in the years and in the respective principal amounts and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the respective rates per annum, as set forth in the following table:

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2016			2028		
2017			2029		
2018			2030		
2019			2031		
2020			2032		
2021			2033		
2022			2034		
2023			2035		
2024			2036		
2025			2037		
2026			2038		
2027			2039		

Interest on the Bonds is payable from the Interest Payment Date immediately preceding the date of authentication thereof unless:

- (a) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (b) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- (c) interest on a Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on a Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The Trustee will pay principal of the Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

SECTION 2.03. *Redemption of Bonds.*

(a) Optional Redemption. The Bonds maturing on or before September 1, 20__, are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after September 1, 20__, are subject to redemption in whole, or in part at the Request of the Successor Agency among maturities on such basis as shall be designated by the Successor Agency and by lot within a maturity, at the option of the Successor Agency, on any date on or after September 1, 20__, from any available source of funds, at a redemption price equal to 100% of the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

The Successor Agency shall give the Trustee written notice of its intention to redeem Bonds under this subsection (a), and the principal amount of each maturity to be redeemed in sufficient time to enable the Trustee to give notice of such redemption in accordance with subsection (c) of this Section.

(b) Mandatory Sinking Fund Redemption of Term Bonds. The Term Bonds are also subject to redemption in part by lot, on September 1 in each of the years as set forth in the following tables, from deposits made for such purpose under Section 4.03(b), at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof shall be purchased under the succeeding paragraph of this subsection (b), in the aggregate respective principal amounts and on the respective dates as set forth in the following tables; *provided, however*, that if some but not all of the Term Bonds have been redeemed under subsection (a) above, the total amount of all future payments under this subsection (b) with respect to such Term Bonds shall be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of \$5,000 as determined by the Successor Agency (written notice of which determination shall be given by the Successor Agency to the Trustee).

**Mandatory Sinking Fund Redemption of
Bonds Maturing September 1, 20__**

Sinking Fund Redemption Date (September 1)	Principal Amount To Be Redeemed
--	------------------------------------

In lieu of redemption of the Term Bonds under the preceding paragraph, amounts on deposit in the Debt Service Fund (to the extent not required to be deposited by the Trustee in the Interest Account or the Principal Account under Section 4.03 during the current Bond Year) may also be used and withdrawn by the Successor Agency at any time for the purchase of such Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Successor Agency may in its discretion determine. The par amount of any of such Term Bonds so purchased by the Successor Agency in any twelve-month period ending on July 15 in any year shall be credited towards and shall reduce the par amount of such Term Bonds required to be redeemed under this subsection (b) on the next succeeding September 1.

(c) Notice of Redemption. The Trustee on behalf and at the expense of the Successor Agency shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and to the Securities Depositories and to the Municipal Securities Rulemaking Board, at least 30 but not more than 60 days prior to the date fixed for redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Office of the Trustee identified in such notice for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date and with regard to optional redemption in the event that funds required to pay the redemption price are not on deposit under the Indenture at the time the notice of redemption is sent, a statement to the effect that the redemption is conditioned upon the receipt of the appropriate funds required to pay the redemption price by the Trustee on or prior to the redemption date.

(d) Right to Rescind Notice of Redemption. The Successor Agency has the right to rescind any notice of the optional redemption of Bonds under subsection (a) of this Section by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption shall be cancelled 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 Bonds then called for redemption, and such cancellation will not constitute an Event of Default. The Successor Agency and the Trustee have no liability to the Owners or

any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the notice of redemption was sent under subsection (c) of this Section.

(e) Manner of Redemption. Whenever provision is made in this Section for the redemption of less than all of the Bonds of the same maturity, the Trustee shall select the Bonds of such maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, all Bonds will be deemed to be comprised of separate \$5,000 denominations and such separate denominations will be treated as separate Bonds which may be separately redeemed.

(f) Partial Redemption of a Bond. If only a portion of a Bond is called for redemption, then upon surrender of such Bond the Successor Agency will execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Successor Agency, a new Bond or Bonds of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

(g) Effect of Redemption. If notice of redemption has been duly mailed and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, from and after the date fixed for redemption such Bonds shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. Unless otherwise directed in writing by the Successor Agency, the Trustee shall cancel and destroy all Bonds redeemed under this Section.

SECTION 2.04. *Book Entry System.*

(a) Original Delivery. The Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the Trustee shall register the ownership of each Bond on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which is registered in the name of the Nominee, the Successor Agency and the Trustee have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Nominee holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, the Successor Agency and the Trustee have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed if the Successor Agency elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds. The

Successor Agency and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal of and premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and the interest and premium, if any, on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner shall receive a Bond evidencing the obligation of the Successor Agency to make payments of principal, interest and premium, if any, under this Indenture. Upon delivery by the Depository to the Successor Agency of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the Successor Agency shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the Successor Agency shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of such letter in no way limits the provisions of subsection (a) above or in any other way imposes upon the Successor Agency or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the Successor Agency may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

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

If the Successor Agency determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Successor Agency may notify the Depository System Participants of the availability of such certificated Bonds through the Depository. In such event, the Trustee will issue, transfer

and exchange Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the Successor Agency shall cooperate with the Depository in taking appropriate action (y) to make available one or more separate certificates evidencing the Bonds to any Depository System Participant having Bonds credited to its account with the Depository, or (z) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Bonds, all at the Successor Agency's expense.

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

SECTION 2.05. *Form and Execution of Bonds.* The Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the Bonds. The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix B attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

The Chair of the Successor Agency (or, in the event the Chair is absent or unavailable, the Vice Chair of the Successor Agency) shall execute, and the Secretary of the Successor Agency shall attest each Bond. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on a Bond ceases to be such officer before the Closing Date, such signature will nevertheless be as effective as if the officer had remained in office until the Closing Date. A Bond may be signed and attested on behalf of the Successor Agency by such persons as at the actual date of the execution of that Bond are the proper officers of the Successor Agency, duly authorized to execute debt instruments on behalf of the Successor Agency, although on the date of that Bond any such person was not an officer of the Successor Agency.

Only those Bonds bearing a certificate of authentication in the form set forth in Appendix B, manually executed and dated by the Trustee, are valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee is conclusive evidence that such Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.06. *Transfer and Exchange of Bonds.*

(a) Transfer. A Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of that Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Bond or Bonds are surrendered for transfer, the Successor Agency will execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like interest rate, maturity and aggregate principal amount. The Successor Agency will pay the cost of

printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds.

(b) Exchange. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same interest rate and maturity. The Successor Agency will pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

(c) Limitations. The Trustee may refuse to transfer or exchange, under the provisions of this Section, any Bonds selected by the Trustee for redemption under Section 2.03, or any Bonds during the period established by the Trustee for the selection of Bonds for redemption.

SECTION 2.07. *Registration Books*. The Trustee will keep or cause to be kept, at its Office, sufficient records for the registration and registration of transfer of the Bonds, which shall at all times during normal business hours, and upon reasonable notice, be open to inspection by the Successor Agency; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books, Bonds as hereinbefore provided.

SECTION 2.08. *Bonds Mutilated, Lost, Destroyed or Stolen*. If a Bond is mutilated, the Successor Agency, at the expense of the Owner of that Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, upon surrender to the Trustee of the Bond so mutilated. The Trustee shall cancel every mutilated Bond surrendered to it and deliver such mutilated Bond to or upon the order of the Successor Agency. If a Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and if indemnity satisfactory to the Trustee is given, the Successor Agency, at the expense of the Owner, will execute, and the Trustee will thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Trustee in connection therewith. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the Successor Agency whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds issued under this Indenture.

Notwithstanding any other provision of this Section, in lieu of delivering a new Bond for which principal has become due for a Bond which has been mutilated, lost, destroyed or stolen, the Trustee may make payment of such Bond in accordance with its terms upon receipt of indemnity satisfactory to the Trustee.

ARTICLE III

DEPOSIT AND APPLICATION OF BOND PROCEEDS

SECTION 3.01. *Issuance of Bonds.* Upon the execution and delivery of this Indenture, the Successor Agency will execute and deliver the Bonds to the Trustee and the Trustee shall authenticate and deliver the Bonds to the Original Purchaser upon receipt of a Request of the Successor Agency therefor.

SECTION 3.02. *Deposit and Application of Bond Proceeds.* On the Closing Date, the proceeds of sale of the Bonds shall be paid to the Trustee and applied by the Trustee as follows:

- (a) The Trustee shall deposit the amount of \$_____ in the Costs of Issuance Fund.
- (b) The Trustee shall transfer the amount of \$_____ to the Escrow Agent for deposit and application in accordance with the Escrow Agreement for the purpose of refunding all of the outstanding 2004 Series A Bonds, 2004 Series B Bonds and 2007 Bonds.

The Trustee may establish a temporary fund or account to facilitate any of the transfers which are required to be made under this Section.

SECTION 3.03. *Costs of Issuance Fund.* There is hereby established a separate fund to be known as the "Costs of Issuance Fund", which the Trustee shall hold in trust. The Trustee shall disburse moneys in the Costs of Issuance Fund from time to time to pay Costs of Issuance relating to the Bonds upon submission of a Request of the Successor Agency stating (a) the person to whom payment is to be made, (b) the amounts to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior Request of the Successor Agency; in each case together with a statement or invoice for each amount requested thereunder. On March 1, 2016, the Trustee shall transfer any amounts remaining in the Costs of Issuance Fund to the Debt Service Fund, and the Trustee shall thereupon close the Costs of Issuance Fund.

ARTICLE IV

SECURITY FOR THE BONDS; FLOW OF FUNDS; INVESTMENTS

SECTION 4.01. *Security of Bonds; Equal Security.* For the security of the Bonds, the Successor Agency hereby grants a pledge of and lien on all of the Tax Revenues which are deposited in the Redevelopment Property Tax Trust Fund and the Redevelopment Obligation Retirement Fund. Such pledge and lien shall be on a parity with the pledge and lien which secures the 2005 IBank Loan. In addition, the Bonds shall be secured by a first pledge of and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Redemption Account and the Reserve Account. Except for the Tax Revenues and such moneys, no funds of the Successor Agency are pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Bonds.

In consideration of the acceptance of the Bonds by those who hold the same from time to time, this Indenture constitutes a contract between the Successor Agency and the Owners from time to time of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the Successor Agency are for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

SECTION 4.02. *Deposit and Application of Tax Revenues.* The Successor Agency has heretofore established the Redevelopment Obligation Retirement Fund pursuant to Section 34170.5(a) of the Redevelopment Law, which the Successor Agency shall continue to hold so long as any of the Bonds remain Outstanding or any amounts are due and owing to the Bond Insurer in respect of the Reserve Policy. The Successor Agency shall deposit all of the Tax Revenues received in any Bond Year into the Redevelopment Obligation Retirement Fund promptly upon receipt thereof by the Successor Agency. Amounts deposited in the Redevelopment Obligation Retirement Fund during any Bond Year shall be applied for the following purposes in the following order of priority:

- (a) to the payment of the principal of and interest on the Bonds, the 2005 IBank Loan and all outstanding Parity Bonds coming due and payable in such Bond Year; and
- (b) to make up any deficiencies in the reserve funds established for the Bonds and any outstanding Parity Bonds, or to reimburse the Bond Insurer for any draws made under the Reserve Policy.

Any Tax Revenues received during a Bond Year and held in the Redevelopment Obligation Retirement Fund, to the extent remaining after making the foregoing payments, shall be released from the pledge and lien hereunder which secures the Bonds and may be applied for any lawful purposes of the Successor Agency, including but not limited to administrative costs of the Successor Agency in excess of the amounts set forth in the foregoing clause (b).

If the amounts on deposit in the Redevelopment Obligation Retirement Fund are at any time insufficient to enable the Successor Agency to make transfers as required hereunder to pay the principal of and interest on the Bonds, the 2005 IBank Loan and all outstanding Parity Debt in full when due, or to replenish the Reserve Account (including reimbursement of all amounts due and owing to the Bond Insurer in respect of the Reserve Policy) and the reserve accounts established for outstanding Parity Debt, the Successor Agency shall make such transfers on a pro rata basis, without preference or priority among the Bonds, the 2005 IBank Loan and all outstanding Parity Debt.

SECTION 4.03. *Debt Service Fund; Transfer of Amounts to Trustee.* The Trustee shall establish the Debt Service Fund as a special trust fund, which the Trustee shall hold in trust so long as any of the Bonds remain Outstanding. In addition to the transfers required with respect to payments of the principal of and interest on the 2005 IBank Loan and on all outstanding Parity Debt, the Successor Agency shall transfer amounts on deposit in the Redevelopment Obligation Retirement Fund, to the extent such amounts are allocable to the payment of the Bonds as set forth in Section 4.02, to the Trustee in the following amounts at the following times, for deposit by the Trustee in the following respective special accounts within the Debt Service Fund, which accounts are hereby established with the Trustee, in the following order of priority:

- (a) Interest Account. On or before the sixth Business Day preceding each date on which interest on the Bonds is due and payable, the Successor Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, equals the aggregate amount of the interest coming due and payable on the Outstanding Bonds on such date. The Trustee shall apply amounts in the Interest Account solely for the purpose of paying the interest on the Bonds when due and payable.
- (b) Principal Account. On or before the sixth Business Day preceding each date on which principal of the Bonds is due and payable, either at maturity or upon the mandatory sinking fund redemption thereof, the Successor Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, equals the amount of principal coming due and payable on such date on the Outstanding Bonds. The Trustee will apply amounts in the Principal Account solely for the purpose of paying the principal of the Bonds at the maturity and upon mandatory sinking fund redemption under Section 2.03(b).
- (c) Reserve Account. If the Trustee has actual knowledge that the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement (including as a result of a draw under the Reserve Policy), the Trustee shall promptly notify the Successor Agency of such fact. Upon receipt of any such notice, the Successor Agency shall transfer to the Trustee an amount of

available Tax Revenues sufficient to maintain the Reserve Requirement on deposit in the Reserve Account (including the reimbursement of all amounts due and owing to the Bond Insurer in respect of the Reserve Policy). Amounts in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account, in such order of priority, on the sixth Business Day prior to any date which the principal of or interest on the Bonds becomes due and payable hereunder, in the event of any deficiency at any time in any of such accounts, or at any time for the retirement of all the Bonds then Outstanding. So long as no Event of Default has occurred and is continuing, any amount in the Reserve Account in excess of the Reserve Requirement on or before the sixth Business Day preceding each Interest Payment Date shall be withdrawn from the Reserve Account by the Trustee and deposited in the Interest Account. The Reserve requirement will be initially maintained in the form of the issuance of the Reserve Policy.

- (d) Redemption Account. On or before the 6th Business Day preceding any date on which Bonds are subject to optional redemption under Section 2.03(a), the Successor Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Redemption Account an amount required to pay the principal of and premium, if any, on the Bonds to be so redeemed on such date. The Trustee shall apply amounts in the Redemption Account solely for the purpose of paying the principal of and premium, if any, on the Bonds upon the optional redemption thereof under Section 2.03(a), on the date set for such redemption.

SECTION 4.04. *Reserve Policy*. The Reserve Requirement will be initially maintained in the form of the issuance of the Reserve Policy. Under the terms and conditions of the Reserve Policy and Section 6.08, the Trustee shall deliver to the Bond Insurer a demand for payment under the Reserve Policy in the required form at least five Business Days before the date on which funds are required for the purposes set forth in Section 4.03(c). The Trustee shall comply with all of the terms and provisions of the Reserve Policy and Section 6.08 for the purpose of assuring that funds are available thereunder when required for the purposes of the Reserve Account, within the limits of the coverage amount provided by the Reserve Policy. All amounts drawn by the Trustee under the Reserve Policy will be deposited into the Reserve Account and applied for the purposes thereof.

SECTION 4.05. *Investment of Moneys in Funds*. The Trustee shall invest moneys in any of the funds established and held by the Trustee hereunder in Permitted Investments specified in the Request of the Successor Agency (which Request will be deemed to include a certification that the specified investment is a Permitted Investment) delivered to the Trustee at least two Business Days in advance of the making of such investments. In the absence of any such direction from the Successor Agency, the Trustee shall invest any such moneys solely in Permitted Investments described in clause (d) of the definition thereof. The Successor Agency will invest moneys in the Redevelopment Obligation Retirement Fund in any obligations in which the Successor Agency is legally authorized to invest funds within its control.

Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account. Whenever in this Indenture any moneys are required to be transferred by the Successor Agency to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee hereunder shall be retained in the respective fund or account from which such investment was made; *provided, however*, that all interest or gain from the investment of amounts in the Reserve Account shall be deposited by the Trustee in the Interest Account to the extent not required to cause the balance in the Reserve Account to equal the Reserve Requirement. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder upon receipt by the Trustee of the Request of the Successor Agency. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made under this Section.

The Successor Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Successor Agency the right to receive brokerage confirmations of security transactions as they occur, the Successor Agency specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Successor Agency periodic transaction statements which include detail for all investment transactions made by the Trustee hereunder.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder.

SECTION 4.06. *Valuation and Disposition of Investments.*

(a) Except as otherwise provided in subsection (b) of this Section, the Successor Agency covenants that all investments of amounts deposited in any fund or account created by or under this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued (as of the date that valuation is required by this Indenture or the Tax Code) at Fair Market Value as such term is defined in subsection (d) below. The Trustee has no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Successor Agency in any Certificate or Request of the Successor Agency.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code and investments in the Reserve Account shall be valued at cost thereof (consisting of present value thereof within the meaning of Section 148 of the Tax Code); provided that the Successor Agency must inform the Trustee which funds are subject to a yield restriction, and must provide the Trustee with any necessary valuation criteria or formulae.

(c) Except as provided in the proceeding subsection (b), for the purpose of determining the amount in any fund, the Trustee shall value Permitted Investments credited to such fund at least annually at the Fair Market Value thereof. The Trustee may utilize computerized securities pricing services that may be available to it, including

those available through its regular accounting system. If and as directed by the Successor Agency in writing, the Trustee shall sell or present for redemption any Permitted Investment so purchased by the Trustee whenever it is necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee has no liability or responsibility for any loss resulting therefrom.

(d) For purposes of this Section, the term "Fair Market Value" shall mean the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, or (iii) the investment is a United States Treasury Security -- State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

ARTICLE V

OTHER COVENANTS OF THE SUCCESSOR AGENCY

SECTION 5.01. *Punctual Payment.* The Successor Agency will punctually pay or cause to be paid the principal, premium (if any) and interest to become due in respect of all the Bonds in strict conformity with the terms of the Bonds and this Indenture. The Successor Agency will faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Supplemental Indentures. Nothing herein contained prevents the Successor Agency from making advances of other legally available funds to make any payment referred to herein.

SECTION 5.02. *Compliance with the Dissolution Act; Recognized Obligation Payment Schedules.* The Successor Agency shall comply with all of the requirements of the Dissolution Act. The Successor Agency shall take all actions required under the Dissolution Act to prepare and file Recognized Obligation Payment Schedules in each Bond Year so as to enable the Sutter County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund all amounts as shall be required to enable the Successor Agency to pay timely principal of, and interest on, the Bonds, the 2005 IBank Loan and all outstanding Parity Debt coming due in such Bond Year, including any amounts due and owing to the Bond Insurer in respect of the Reserve Policy, or required to replenish the Reserve Account and the respective reserve accounts established for any outstanding Parity Debt.

So long as the Dissolution Act requires the filing of Recognized Obligation Payment Schedules for Semiannual Periods, the Successor Agency will take all actions required under the Dissolution Act to include the following amounts in each of such Recognized Obligation Payment Schedules:

- (a) for the Semiannual Period ending on June 30 of a calendar year, the Successor Agency shall include in the Recognized Obligation Payment Schedule for such Semiannual Period an amount which is at least equal to 100% of the amount of principal of and interest on the Bonds, the 2005 IBank Loan and all outstanding Parity Debt coming due and payable during such calendar year;
- (b) for the Semiannual Period ending on December 31 of a calendar year, the Successor Agency shall include in the Recognized Obligation Payment Schedule for such Semiannual Period an amount which required to pay the aggregate amount of principal of and interest on all outstanding Bonds, the 2005 IBank Loan and all outstanding Parity Debt during such calendar year, to the extent not provided from amounts collected as a result of the filing made pursuant to the preceding clause (a);
- (c) any amount then required to replenish the respective reserve accounts established for the Bonds and any outstanding Parity Debt; and
- (d) any amount then required to make payments due to the Bond Insurer in respect of the Reserve Policy.

The foregoing actions will include, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and the California Department of Finance, to the extent required, the amounts to be held by the Successor Agency as a reserve until the next Semiannual Period, as contemplated by Section 34171(d)(1)(A) of the Redevelopment Law, that are required to provide for the payment of principal of and interest on the Bonds, the Bonds, the 2005 IBank Loan and all outstanding Parity Debt coming and all outstanding Parity Debt.

SECTION 5.03. *Payment of Claims.* The Successor Agency will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Successor Agency or upon the Tax Revenues or any part thereof, or upon any funds held by the Trustee pursuant hereto, or which might impair the security of the Bonds. Nothing herein requires the Successor Agency to make any such payment so long as the Successor Agency in good faith contests the validity of said claims.

SECTION 5.04. *Books and Accounts; Financial Statements; Additional Information.* The Successor Agency will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Successor Agency and the City, in which complete and correct entries are made of all transactions relating to the Tax Revenues and the Redevelopment Obligation Retirement Fund. Such books of record and accounts shall at all times during business hours be subject, upon prior written request, to the reasonable inspection of the Trustee (who has no duty

to inspect) and the Owners of not less than 10% in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

SECTION 5.05. *Protection of Security and Rights of Owners.* The Successor Agency will preserve and protect the security of the Bonds and the rights of the Owners. From and after the date of issuance of the Bonds, the Successor Agency may not contest the validity or enforceability of the Bonds or this Indenture.

SECTION 5.06. *Payments of Taxes and Other Charges.* The Successor Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Successor Agency or the properties then owned by the Successor Agency in the Project Area, when the same comes due. Nothing herein contained requires the Successor Agency to make any such payment so long as the Successor Agency in good faith contests the validity of said taxes, assessments or charges. The Successor Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Redevelopment Project or any part thereof.

SECTION 5.07. *Compliance with Plan Limitations.* The Successor Agency shall not take any action which causes or which, with the passage of time, would cause any of the Plan Limitations to be exceeded or violated. The Agency shall manage its fiscal affairs in a manner which ensures that it will have sufficient Tax Revenues available under the Plan Limitations in the amounts and at the times required to enable the Agency to pay the principal of and interest on the Bonds, the Bonds, the 2005 IBank Loan and all outstanding Parity Debt coming and any Parity Debt when due. The Agency will not accept any Tax Revenues which would cause any of the Plan Limitations to be exceeded.

Not later than July 1 in each year so long as any of the Bonds remain Outstanding, the Successor Agency shall determine (a) the aggregate amount of future Tax Revenues which the Successor Agency is entitled to receive under the Plan Limitations, and (b) the aggregate amount of principal of and interest on all outstanding Bonds, Bonds, the 2005 IBank Loan and all outstanding Parity Debt remaining to be paid prior to the final maturity thereof. If the amount determined under the foregoing clause (a) becomes less than 115% of the amount determined under the foregoing clause (b), the Successor Agency shall (i) promptly notify the Bond Insurer of such fact in writing, (ii) cause to be included in all Recognized Obligation Payment Schedules which are prepared thereafter to include the maximum amount of Tax Revenues which the Successor Agency is entitled to receive, and (iii) direct the Trustee to establish a special fund to be known as the "Tax Revenue Impound Fund" into which all future Tax Revenues shall be deposited. Amounts in the Tax Revenue Impound Fund shall be applied by the Trustee for the sole purpose of paying, redeeming or defeasing the outstanding Bonds, the 2005 IBank Loan and Parity Debt.

SECTION 5.08. *No Senior Lien Debt.* So long as the Bonds remain Outstanding, the Successor Agency shall not issue any additional notes, bonds or other obligations which are secured by a pledge of the Tax Revenues on a basis which is senior to the Bonds.

SECTION 5.09. *Issuance of Parity Debt.* The Successor Agency hereby covenants that, so long as the Bonds are Outstanding, the Successor Agency shall not

issue any additional bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Tax Revenues; *provided, however*, that the Successor Agency may issue and sell Parity Debt on a parity with Outstanding Bonds for the purpose of refunding the Bonds, the 2005 IBank Loan or any other issue of Parity Debt, if (a) annual debt service on such Parity Debt is lower than annual debt service on the Bonds, the 2005 IBank Loan or the other Parity Debt being refunded during every year they will be Outstanding and (b) the final maturity of any such Parity Debt does not exceed the final maturity of the Bonds, the 2005 IBank Loan or the other Parity Debt being refunded. The documents providing for the issuance of any Parity Debt under this Section shall provide that:

- (a) interest on such Parity Debt is payable on March 1 and September 1 in each year of the term thereof, except the first twelve-month period, during which interest may be payable on any date;
- (b) the principal of such Parity Debt is payable on September 1 in any year in which principal is payable; and
- (c) the trustee for such Parity Debt is the same entity which performs the duties of Trustee for the Bonds.

SECTION 5.10. *Tax Covenants Relating to the Bonds.*

(a) Generally. The Successor Agency may not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, interest on the Bonds to become includable in gross income for federal income tax purposes.

(b) Private Activity Bond Limitation. The Successor Agency shall assure that the proceeds of the Bonds are not used in a manner which would cause the Bonds to become "private activity bonds" within the meaning of Section 141(a) of the Tax Code or to meet the private loan financing test of Section 141(c) of the Tax Code.

(c) Federal Guarantee Prohibition. The Successor Agency may not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(d) No Arbitrage. The Successor Agency shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the Bond proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Tax Code.

(e) Rebate of Excess Investment Earnings. The Successor Agency shall calculate or cause to be calculated all amounts of excess investment earnings with respect to the Bonds which are required to be rebated to the United States of America under Section 148(f) of the Tax Code, at the times and in the manner required under the Tax Code. The Successor Agency shall pay when due an amount equal to excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code, such payments to be made

from any source of legally available funds of the Successor Agency. The Successor Agency shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Bonds, records of the determinations made under this subsection (e).

The Trustee has no duty to monitor the compliance by the Successor Agency with any of the covenants contained in this Section.

SECTION 5.11. *Continuing Disclosure.* The Successor Agency will comply with and carry out all of the provisions of the Continuing Disclosure Certificate which has been executed and delivered by the Successor Agency on the Closing Date. Notwithstanding any other provision hereof, failure of the Successor Agency to comply with the Continuing Disclosure Certificate does not constitute an Event of Default hereunder; *provided, however,* that any Participating Underwriter (as such term is defined in the Continuing Disclosure Certificate) or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Successor Agency to comply with its obligations under this Section.

SECTION 5.12. *Compliance with 2005 IBank Loan and Parity Debt Documents.* The Successor Agency shall punctually pay or cause to be paid the principal, premium (if any) and interest to become due in respect of the 2005 IBank Loan and all Parity Debt, in strict conformity with the terms of the respective documents authorizing the issuance thereof. The Successor Agency shall faithfully observe and perform all of the conditions, covenants and requirements of the respective documents authorizing the issuance of the 2005 IBank Loan and all outstanding Parity Debt.

SECTION 5.13. *Further Assurances.* The Successor Agency will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Bond Insurer and the Bond Owners the rights and benefits provided in this Indenture.

ARTICLE VI

THE TRUSTEE

SECTION 6.01. *Duties, Immunities and Liabilities of Trustee.*

(a) The Trustee shall, prior to the occurrence of an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or duties shall be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a reasonable corporate trustee would exercise or use.

(b) The Successor Agency may remove the Trustee at any time, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or becomes incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal shall be accomplished by the giving of 30 days written notice of such removal by the Successor Agency to the Trustee, whereupon in the case of the Trustee, the Successor Agency shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Successor Agency, and by giving notice of such resignation by first class mail, postage prepaid, to the Bond Owners at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Successor Agency shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee becomes effective upon acceptance of appointment by the successor Trustee. If no successor Trustee has been appointed and accepted appointment within 45 days following giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of such Owner and all other Owners) may petition any federal or state court for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the Successor Agency and to its predecessor Trustee a written acceptance thereof, and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee hereunder, and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless, upon the receipt by the predecessor Trustee of the Request of the Successor Agency or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Successor Agency will execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Successor Agency shall mail or cause the successor Trustee to mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts hereunder to each rating agency which then maintains a rating on the Bonds and to the Owners at the addresses shown on the Registration Books. If the Successor Agency fails to mail such notice within 15 days after

acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Successor Agency.

(e) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall: (i) be a company or bank having trust powers, (ii) have a corporate trust office in the State of California, (iii) have (or be part of a bank holding company system whose bank holding company has) a combined capital and surplus of at least \$50,000,000, and (iv) be subject to supervision or examination by federal or state authority.

If such bank or company publishes a report of condition at least annually, under law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in subsection (c) of this Section.

The Successor Agency will maintain a Trustee acceptable to the Bond Insurer and qualified under the provisions of the foregoing provisions of this subsection (e), so long as any Bonds are Outstanding.

SECTION 6.02. *Merger or Consolidation.* Any bank or company into which the Trustee may be merged or converted or with which either of them may be consolidated or any bank or company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or company shall be eligible under subsection (e) of Section 6.01, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 6.03. *Liability of Trustee.*

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Successor Agency, and the Trustee assumes no responsibility for the correctness of the same, nor does it have any liability whatsoever therefor, nor does it make any representations as to the validity or sufficiency of this Indenture or of the Bonds nor does it incur any responsibility in respect thereof, other than as expressly stated herein. The Trustee is, however, responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee is not liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee is not liable for the acts of any agents of the Trustee selected by it with due care. The Trustee may become the Owner of Bonds with the same rights it would have if they were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding. The Trustee, either as principal or agent, may engage in or be entrusted in any financial or other transaction with the Successor Agency.

(b) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Bond Insurer or the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(c) The Trustee is not liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated hereunder shall not be construed as a mandatory duty.

(d) The Trustee will not be deemed to have knowledge of any Event of Default hereunder unless and until a responsible officer of the Trustee has actual knowledge thereof, or unless and until a responsible officer of the Trustee has received written notice thereof at its Office. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default hereunder or thereunder. The Trustee shall not be responsible for the Successor Agency's payment of principal and interest on the Bonds, the Successor Agency's observance or performance of any other covenants, conditions or terms contained herein, or the validity or effectiveness of any collateral given to or held by it.

(e) No provision in this Indenture requires the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder. The Trustee shall be entitled to receive interest on any moneys advanced by it hereunder, at the maximum rate permitted by law.

(f) The Trustee may establish additional accounts or subaccounts of the funds established hereunder as the Trustee deems necessary or prudent in furtherance of its duties under this Indenture.

(g) The Trustee has no responsibility or liability whatsoever with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, nor shall the Trustee have any obligation to review any such material, and any such review by the Trustee will not be deemed to create any obligation, duty or liability on the part of the Trustee.

(h) Before taking any action under Article VIII hereof the Trustee may require indemnity satisfactory to the Trustee be furnished to it to hold the Trustee harmless from any expenses whatsoever and to protect it against any liability it may incur hereunder.

(i) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

(j) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty.

(k) The Trustee may execute any of the trusts or powers hereof and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care.

SECTION 6.04. *Right to Rely on Documents.* The Trustee shall be protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, including, without limitation, Bond Counsel or other counsel of or to the Successor Agency, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee hereunder in accordance therewith.

The Trustee is not bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and such person's title thereto is established to the satisfaction of the Trustee.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Successor Agency, which shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may (but has no duty to), in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

SECTION 6.05. *Preservation and Inspection of Documents.* The Trustee will retain in its possession all documents received by it under the provisions of this Indenture, which will be subject during normal business hours, and upon reasonable prior written notice, to the inspection of the Successor Agency and any Owner, and their agents and representatives duly authorized in writing.

SECTION 6.06. *Compensation and Indemnification.* Absent any agreement to the contrary, the Successor Agency will pay to the Trustee from time to time compensation for all services rendered under this Indenture and also all expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including any allocated costs of internal counsel), agents and employees, incurred in and about the performance of its powers and duties under this Indenture.

The Successor Agency further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense and liabilities, whether or not litigated, which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability and of enforcing any remedies hereunder and under any related documents, but excluding any and all losses, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors, agents or employees. The obligations of the Successor Agency under this Section shall survive resignation or removal of the Trustee under this Indenture and payment of the Bonds and discharge of this Indenture.

SECTION 6.07. *Accounting Records and Financial Statements.* The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries are made of all transactions made by it relating to the proceeds of the Bonds and all funds and accounts established and held by the Trustee under this Indenture. Such books of record and account shall be available for inspection by the Successor Agency at reasonable hours, during regular business hours, with reasonable prior notice and under reasonable circumstances. The Trustee shall furnish to the Successor Agency, at least monthly, an accounting (which may be in the form of its customary statements) of all transactions relating to the proceeds of the Bonds and all funds and accounts held by the Trustee under this Indenture.

SECTION 6.08. *Provisions Relating to Reserve Policy.* So long as the Reserve Policy remains in effect, the Successor Agency and the Trustee shall comply with all of the terms and provisions set forth in Appendix C relating to the Bond Insurer and the Reserve Policy. Such provisions are hereby incorporated into this Indenture by this reference, and shall control and supersede any conflicting or inconsistent provisions in this Indenture.

ARTICLE VII

MODIFICATION OR AMENDMENT OF THIS INDENTURE

SECTION 7.01. *Amendments Permitted.*

(a) Amendment With Bond Owner Consent. This Indenture and the rights and obligations of the Successor Agency and of the Owners of the Bonds may be modified or amended by the Successor Agency and the Trustee upon Request of the Successor Agency at any time by the execution of a Supplemental Indenture, but only with the written consent of the Bond Insurer and the Owners of a majority in aggregate principal amount of the Bonds then Outstanding with respect to all Bonds then Outstanding. Any such Supplemental Indenture becomes effective upon the execution and delivery thereof by the parties thereto and upon consent of the Bond Insurer and the requisite Bond Owners. No such modification or amendment shall:

- (i) extend the maturity of a Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the Successor Agency to pay the principal thereof, or interest thereon, or any premium payable on the redemption thereof, at the time and place and at the rate and in the currency provided therein, without the written consent of the Owner of that Bond;
- (ii) permit the creation by the Successor Agency of any mortgage, pledge or lien upon the Tax Revenues superior to or on a parity with the pledge and lien created for the benefit of the Bonds, or reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification; or

- (iii) modify any of the rights or obligations of the Trustee without its written consent.

(b) Amendment Without Bond Owner Consent. This Indenture and the rights and obligations of the Successor Agency and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture, with the prior written consent of the Bond Insurer but without the consent of any Owners of the Bonds, but only for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the Successor Agency contained in this Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the Successor Agency;
- (ii) to cure any ambiguity, or to cure, correct or supplement any defective provision contained in this Indenture, or in any other respect whatsoever as the Successor Agency deems necessary or desirable, provided under any circumstances that such modifications or amendments do not materially adversely affect the interests of the Owners in the opinion of Bond Counsel filed with the Successor Agency and the Trustee;
- (iii) to amend any provision hereof to assure the exclusion from gross income of interest on the Bonds for federal income tax purposes under the Tax Code, in the opinion of Bond Counsel filed with the Successor Agency and the Trustee; or
- (iv) to provide the terms and provisions applicable to any issue of bonds, notes or other obligations on a parity with the Bonds, which are issued in accordance with Section 5.09.

(c) Notice of Amendments. The Successor Agency shall deliver or cause to be delivered a draft of any Supplemental Indenture to S&P, at least 10 days prior to the effective date of such Supplemental Indenture under this Section.

SECTION 7.02. *Effect of Supplemental Indenture.* From and after the time any Supplemental Indenture becomes effective under this Article VII, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 7.03. *Endorsement or Replacement of Bonds After Amendment.* After the effective date of any amendment or modification hereof under this Article VII, the Successor Agency may determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the Successor Agency, as to such amendment or modification and in that case upon demand of the Successor Agency the Owners of such Bonds shall present such Bonds for that purpose at the Office of the Trustee, and thereupon a suitable notation as to such action shall be made on such Bonds. In lieu of

such notation, the Successor Agency may determine that new Bonds shall be prepared and executed in exchange for any or all of the Bonds and in that case upon demand of the Successor Agency the Owners of the Bonds shall present such Bonds for exchange at the Office of the Trustee without cost to such Owners.

SECTION 7.04. *Amendment by Mutual Consent.* The provisions of this Article VII shall not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner.

SECTION 7.05. *Trustee's Reliance.* The Trustee may conclusively rely, and is protected in relying, upon a Certificate of the Successor Agency and an opinion of Bond Counsel stating that all requirements of this Indenture relating to the amendment or modification hereof have been satisfied and that such amendments or modifications do not materially adversely affect the interests of the Bond Owners.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

SECTION 8.01. *Events of Default and Acceleration of Maturities.* Each of the following events constitutes an Event of Default hereunder:

- (a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Failure to pay any installment of interest on the Bonds when due.
- (c) Failure by the Successor Agency to observe and perform any of the other covenants, agreements or conditions set forth in this Indenture or in the Bonds which are within its control, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Successor Agency by the Trustee or the Bond Insurer; *provided, however,* if in the reasonable opinion of the Successor Agency the failure stated in the notice can be corrected, but not within such 30-day period, such failure shall not constitute an Event of Default if the Successor Agency institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.
- (d) The Successor Agency commences a voluntary case under Title 11 of the United States Code or any substitute or successor statute.
- (e) The occurrence and continuation of an event of default under and as defined in the respective documents authorizing the issuance of the 2005 IBank Loan or any outstanding Parity Debt.

For purposes of determining whether any event of default has occurred under and as described in the preceding clauses (a) or (b), no effect shall be given to payments made by the Bond Insurer under the Reserve Policy.

If an Event of Default occurs under this Section and is continuing, the Trustee may, and at the written direction of the Bond Insurer or (with the prior written consent of the Bond Insurer) at the written direction of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding, and (b) exercise any other remedies available to the Trustee and the Bond Owners in law or at equity to enforce the rights of the Bond Owners under this Indenture.

Immediately upon becoming aware of the occurrence of an Event of Default, but in no event later than five Business Days following becoming aware of such occurrence, the Trustee shall give notice of such Event of Default to the Successor Agency and to the Bond Insurer by telephone confirmed in writing. Such notice shall also state whether the principal of the Bonds has been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (b) above the Trustee shall, and with respect to any Event of Default described in clause (c) above the Trustee in its sole discretion may, also give such notice to the Owners in the same manner as provided herein for notices of redemption of the Bonds, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee shall have declared the Bonds to become due and payable under the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the Successor Agency shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest at an interest rate equal to the highest rate borne by the Outstanding Bonds, and the reasonable fees and expenses of the Trustee, including fees and expenses of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) has been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Successor Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds, and with the consent of the Bond Insurer (if it has not failed to comply with its payment obligations under the Reserve Policy), rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

SECTION 8.02. *Notice of Event of Default.* Immediately upon becoming aware of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Successor Agency by telephone confirmed in writing. Such notice must

also state whether the principal of the Bonds has been declared to be or have immediately become due and payable as provided in Section 8.01. With respect to any Event of Default described in Section 8.01(a) or (b), the Trustee shall, and with respect to any Event of Default described in Section 8.01(c) the Trustee in its sole discretion may, also give such notice to the Bond Owners in the same manner as provided herein for notices of redemption of the Bonds, which must include the statement that interest on the Bonds will cease to accrue from and after the date, if any, on which the Trustee declares the Bonds to become due and payable under Section 8.01 (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

SECTION 8.03. *Application of Funds Upon Event of Default.* All of the Tax Revenues and all sums in the funds and accounts established and held by the Trustee hereunder (other than in the Reserve Account) upon the occurrence of an Event of Default, and all sums thereafter received by the Trustee hereunder, shall be applied by the Trustee as follows and in the following order or priority:

First, to the payment of any fees, costs and expenses incurred by the Trustee to protect the interests of the Owners of the Bonds; payment of the fees, costs and expenses of the Trustee (including fees and expenses of its counsel, including any allocated costs of internal counsel) incurred in and about the performance of its powers and duties under this Indenture and the payment of all fees, costs and expenses owing to the Trustee under Section 6.06, together with interest on all such amounts advanced by the Trustee at the maximum rate permitted by law.

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on such overdue amounts at the respective rates of interest borne by those Bonds, and in case such moneys are insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts.

Third, to the payment of any amounts owed to the Bond Insurer hereunder.

SECTION 8.04. *Power of Trustee to Control Proceedings.* If the Trustee, upon the happening of an Event of Default, takes any action, by judicial proceedings or otherwise, in the performance of its duties hereunder, whether upon its own discretion, with the consent or at the request of the Bond Insurer or the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, it has full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action. The Trustee may not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the

Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

SECTION 8.05. *Limitation on Owners' Right to Sue.* No Owner of a Bond has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless:

- (a) said Owner has previously given to the Trustee written notice of the occurrence of an Event of Default;
- (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding have requested the Trustee in writing to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name;
- (c) said Owners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and
- (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy hereunder; it being understood and intended that no one or more Owners has any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and premium, if any, and interest on such Bond as herein provided, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

SECTION 8.06. *Non-waiver.* Nothing in this Article VIII or in any other provision of this Indenture or in the Bonds, affects or impairs the obligation of the Successor Agency, which is absolute and unconditional, to pay from the Tax Revenues and other amounts pledged hereunder, the principal of and interest and redemption premium (if any) on the Bonds to the Bond Owners when due and payable as herein provided, or affects or impairs the right of action, which is also absolute and unconditional, of the Bond Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Bond Owner shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Bond Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Bond Owners by the Redevelopment Law or by this Article VIII may be enforced and

exercised from time to time and as often as shall be deemed expedient by the Bond Owners.

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

SECTION 8.07. *Actions by Trustee as Attorney-in-Fact.* Any suit, action or proceeding which any Owner has the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is hereby appointed (and the successive respective Owners by taking and holding the Bonds shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact, subject to the provisions of Article VI. Notwithstanding the foregoing provisions of this Section, the Trustee has no duty to enforce any such right or remedy unless it has been indemnified to its satisfaction for any additional fees, charges and expenses of the Trustee related thereto, including without limitation, fees and charges of its attorneys and advisors.

SECTION 8.08. *Remedies Not Exclusive.* No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Redevelopment Law or any other law.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. *Benefits Limited to Parties.* Nothing in this Indenture, expressed or implied, is intended to give to any person other than the Successor Agency, the Trustee, the Bond Insurer and the Owners, any right, remedy, claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the Successor Agency shall be for the sole and exclusive benefit of the Trustee, the Bond Insurer and the Owners. Whenever in this Indenture or any Supplemental Indenture either the Successor Agency, the Bond Insurer or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Successor Agency, the Bond Insurer or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 9.02. *Successor is Deemed Included in All References to Predecessor.* Whenever in this Indenture or any Supplemental Indenture either the Successor Agency

or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Successor Agency or the Trustee binds and inures to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 9.03. *Defeasance of Bonds.* If the Successor Agency pays and discharges all or a portion of the Bonds in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing with the Trustee or an escrow bank, in trust, at or before maturity, an amount of cash which, together with the available amounts then on deposit in the funds and accounts established under this Indenture, in the opinion or report of an Independent Accountant is fully sufficient to pay such Bonds, including all principal, interest and redemption premium, if any;
- (c) by irrevocably depositing with the Trustee or an escrow bank, in trust, Federal Securities in such amount as an Independent Accountant determines will, together with the interest to accrue thereon and available moneys then on deposit in any of the funds and accounts established under this Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premium, if any) at or before maturity; or
- (d) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption has been duly given or provision satisfactory to the Trustee has been made for the giving of such notice, then, at the election of the Successor Agency evidenced by a Certificate of the Successor Agency filed with the Trustee, and notwithstanding that any such Bonds have not been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in this Indenture and all other obligations of the Trustee and the Successor Agency under this Indenture with respect to such Bonds shall cease and terminate, except only:

- (a) the obligation of the Trustee to transfer and exchange Bonds hereunder,
- (b) the obligation of the Successor Agency to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and
- (c) the obligations of the Successor Agency to compensate and indemnify the Trustee under Section 6.06.

The Successor Agency must file notice of such election with the Trustee. The Trustee shall pay any funds thereafter held by it, which are not required for said purpose, to the Successor Agency.

In the case of a defeasance or payment of all of the Bonds Outstanding in accordance with this Section, the Trustee shall pay all amounts held by it in any funds or accounts hereunder, which are not required for said purpose or for payment of amounts due the Trustee under Section 6.06, to the Successor Agency.

Notwithstanding the foregoing provisions of this Section, in the event that the principal, interest and premium (if any) on by the Bonds are paid by the Bond Insurer under the Reserve Policy, the obligations of the Trustee and the Successor Agency shall continue in full force and effect and the Bond Insurer shall be fully subrogated to the rights of all Owners of the Bonds so paid. In addition, the obligations of the Trustee and the Successor Agency hereunder shall continue in full force and effect, and shall not be terminated, until such time as the Successor Agency shall have paid all amounts (if any) as shall be due and owing to the Bond Insurer under the Reserve Policy; and the Trustee shall not distribute any funds to the Successor Agency under the preceding paragraph unless the Successor Agency shall have certified to the Trustee that there are no obligations then due and owing by the Successor Agency to the Bond Insurer under the Reserve Policy.

SECTION 9.04. *Execution of Documents and Proof of Ownership by Owners.* Any request, consent, declaration or other instrument which this Indenture may require or permit to be executed by any Owner may be in one or more instruments of similar tenor, and shall be executed by such Owner in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, consent, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

The ownership of Bonds and the amount, maturity, number and date of ownership thereof are conclusively proved by the Registration Books.

Any request, declaration or other instrument or writing of the Owner of any Bond binds all future Owners of such Bond in respect of anything done or suffered to be done by the Successor Agency or the Trustee in good faith and in accordance therewith.

SECTION 9.05. *Waiver of Personal Liability.* No member, officer, agent or employee of the Successor Agency is individually or personally liable for the payment of the principal of or interest or any premium on the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

SECTION 9.06. *Destruction of Canceled Bonds.* Whenever in this Indenture provision is made for the surrender to the Successor Agency of any Bonds which have been paid or canceled under the provisions of this Indenture, a certificate of destruction duly executed by the Trustee shall be deemed to be the equivalent of the surrender of such canceled Bonds and the Successor Agency is entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to. The Successor Agency will pay all costs of any microfilming of Bonds to be destroyed.

SECTION 9.07. *Notices.* All written notices to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, (b) upon actual receipt after deposit in the United States mail, postage prepaid, or (c) in any other case, upon actual receipt. The Successor Agency or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Successor Agency: City of Yuba City
1201 Civic Center Blvd.
Yuba City, California 95993
Attention: Finance Director
Fax: (530) 822-4694

If to the Trustee: MUFG Union Bank of California, N.A.
Corporate Trust Dept.
350 California Street, 11th Floor
Attention: Corporate Trust Department
San Francisco, California 94104
Fax: (415) 273-2492

SECTION 9.08. *Partial Invalidity.* If any Section, paragraph, sentence, clause or phrase of this Indenture is for any reason held illegal, invalid or unenforceable, such holding will not affect the validity of the remaining portions of this Indenture. The Successor Agency and the Trustee hereby declare that they would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Indenture may be held illegal, invalid or unenforceable.

SECTION 9.09. *Unclaimed Moneys.* Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or premium (if any) on or principal of the Bonds which remains unclaimed for two years after the date when the payments of such interest, premium and principal have become payable, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Bonds have become payable, shall be repaid by the Trustee to the Successor Agency as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect

thereto and the Owners shall look only to the Successor Agency for the payment of the principal of and interest and redemption premium (if any) on such Bonds.

SECTION 9.10. *Execution in Counterparts.* This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 9.11. *Third-Party Beneficiary.* The Bond Insurer shall be deemed to be a third-party beneficiary of this Indenture, with all rights of a third-party beneficiary. The Bond Insurer may enforce the provisions of this Indenture as if it were a party hereto.

SECTION 9.12. *Governing Law.* This Indenture shall be construed and governed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF YUBA CITY has caused this Indenture to be signed in its name by its Chair and attested to by its Secretary, and MUFG UNION BANK, N.A., in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
CITY OF YUBA CITY**

By _____
Chair

Attest:

Secretary

**MUFG UNION BANK, N.A.,
as Trustee**

By _____
Authorized Officer

APPENDIX A

DEFINITIONS

“Bond Counsel” means Jones Hall, A Professional Law Corporation, or any other attorney or firm of attorneys appointed by or acceptable to the Successor Agency of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bond Insurer” means _____, a New York stock insurance company, its successors and assigns, as issuer of the Reserve Policy.

“Bond Year” means any twelve-month period beginning on September 2 in any year and extending to the next succeeding September 1, both dates inclusive; except that the first Bond Year begins on the Closing Date and ends on September 1, 2016.

“Bonds” means the Successor Agency To The Redevelopment Agency of the City of Yuba City Yuba City Redevelopment Project 2015 Tax Allocation Refunding Bonds issued by the Successor Agency in the aggregate principal amount of \$_____ under the Redevelopment Law and this Indenture.

“Business Day” means a day of the year (other than a Saturday or Sunday) on which banks in California are not required or permitted to be closed, and on which the New York Stock Exchange is open.

“Certificate of the Successor Agency” means a certificate in writing signed by the Chair, Executive Director, Treasurer or Clerk of the Successor Agency, or any other officer of the Successor Agency duly authorized by the Successor Agency for that purpose.

“City” means the City of Yuba City, California.

“Closing Date” means December __, 2015, being the date on which the Bonds are delivered by the Successor Agency to the Original Purchaser.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Successor Agency relating to the authorization, issuance, sale and delivery of the Bonds and the refunding of the 2004 Series A Bonds, 2004 Series B Bonds and 2007 Bonds, including but not limited to: staff and administrative costs of the Successor Agency; printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee, the 2005 Bond Trustee and their respective counsel, including the Trustee’s first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; Reserve Policy premiums; fees and charges for preparation, execution and safekeeping of the Bonds; and any other cost, charge or fee in connection with the original issuance of the Bonds and the current refunding of the and the 2004 Series A Bonds, 2004 Series B Bonds and 2007 Bonds.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee under Section 3.03.

“County” means the County of Sutter, a county duly organized and existing under the Constitution and laws of the State of California.

“Debt Service Fund” means the fund by that name which is established and held by the Trustee under Section 4.03.

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository under Section 2.04.

“Depository System Participant” means any participant in the Depository’s book-entry system.

“Dissolution Act” means (a) Assembly Bill X1 26, signed by the Governor of the State of California on June 28, 2011, and filed with the Secretary of State of California on June 29, 2011, including as a part thereof, Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) of the Redevelopment Law, and (b) Assembly Bill No. 1484, signed by the Governor of the State of California on June 27, 2012, and filed with the Secretary of State of California on June 27, 2012.

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

“Escrow Agent” means MUFG Union Bank, N.A., as escrow agent under the Escrow Agreement.

“Escrow Agreement” means the Escrow Agreement dated the Closing Date, between the Successor Agency and the Escrow Agent relating to the deposit and application of the proceeds of the Bonds and other funds to pay and discharge the 2004 Series A Bonds, 2004 Series B Bonds and 2007 Bonds.

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

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

“Fiscal Year” means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the Successor Agency as its official fiscal year period under a Certificate of the Successor Agency filed with the Trustee.

“Former Agency” means the Redevelopment Agency of the City of Yuba City, a public body corporate and politic duly organized and existing under the Redevelopment Law and dissolved in accordance with the Dissolution Act.

“Indenture” means this Indenture of Trust between the Successor Agency and the Trustee, as amended or supplemented from time to time under any Supplemental Indenture entered into under the provisions hereof.

“Independent Accountant” means any accountant or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State of California, appointed by or acceptable to the Successor Agency, and who, or each of whom: (a) is in fact independent and not under domination of the Successor Agency; (b) does not have any substantial interest, direct or indirect, with the Successor Agency; and (c) is not connected with the Successor Agency as an officer or employee of the Successor Agency, but who may be regularly retained to make reports to the Successor Agency.

“Interest Account” means the account by that name established and held by the Trustee under Section 4.03(a).

“Interest Payment Date” means March 1, 2016, and each March 1 and September 1 thereafter so long as any of the Bonds remain unpaid.

“Nominee” means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.04(a).

“Office” means, with respect to the Trustee, the corporate trust office of the Trustee at the address set forth in Section 9.07, or at such other or additional offices as may be specified by the Trustee in writing to the Successor Agency; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business is conducted.

“Original Purchaser” means _____, as original purchaser of the Bonds on the Closing Date.

“Outstanding”, when used as of any particular time with reference to Bonds, means all Bonds except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds paid or deemed to have been paid within the meaning of Section 9.03; and (c) Bonds in lieu of or in substitution for which other Bonds have been authorized, executed, issued and delivered by the Successor Agency pursuant hereto.

“Owner” means, with respect to any Bond, the person in whose name the ownership of such Bond shall be registered on the Registration Books.

“Parity Debt” means any notes, bonds or other obligations which are issued following the Closing Date for the purpose of refunding any Bonds or other issue of Parity Debt in whole or in part as permitted by the Dissolution Act.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

- (a) Federal Securities;

- (b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the Successor Agency itself): (i) certificates of beneficial ownership of the Farmers Home Administration; (ii) Federal Housing Administration debentures; (iii) participation certificates of the General Services Administration; (iv) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (v) guaranteed Title XI financings of the U.S. Maritime Administration; and (vi) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development.
- (c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities only as stripped by the Successor Agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of the Federal National Mortgage Association; (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations of the Resolution Funding Corporation; and (vi) consolidated system-wide bonds and notes of the Farm Credit System.
- (d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services).
- (e) Certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral described in (a) or (b) above, which have a maturity not greater than one year from the date of investment and which are issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "A-1+" or better by S&P, which collateral must be held by a third party and provided that the Trustee must have a perfected first security interest in such collateral.
- (f) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC, or which are issued by a bank the short-term obligations of which are rated "A-1+ or better by S&P.

- (g) Commercial paper rated “A-1+” or better by S&P.
- (h) Bonds or notes issued by any state or municipality which are rated by S&P in one of the two highest rating categories assigned by such agencies.
- (i) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime-1” or “A-1+” by S&P.
- (j) The Local Agency Investment Fund which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee.

“Plan Limitations” means the limitations (if any) contained or incorporated in the Redevelopment Plan on (a) the aggregate principal amount of indebtedness payable from tax increment revenues which may be outstanding at any time, (b) the aggregate amount of taxes which may be divided and allocated to the Agency under the Redevelopment Plan, (c) the period of time for establishing or incurring indebtedness payable from tax increment revenues, and (d) the period of time for collection of tax increment revenues and repayment of Agency indebtedness from tax increment revenues. All references herein to the Plan Limitations shall be of no force and effect in the event and to the extent any of the Plan Limitations become inoperative due to amendments of the Redevelopment Law which are enacted after the Closing Date.

“Principal Account” means the account by that name established and held by the Trustee under Section 4.03(b).

“Project Area” means the project area described in the Redevelopment Plan.

“Recognized Obligation Payment Schedule” means the schedule by that name prepared before each Semiannual Period in accordance with the requirements of Section 34177(l) of the Redevelopment Law.

“Record Date” means, with respect to any Interest Payment Date, the close of business on the 15th calendar day of the month preceding such Interest Payment Date, whether or not such 15th calendar day is a Business Day.

“Redemption Account” means the account by that name established and held by the Trustee under Section 4.03(d).

“Redevelopment Law” means the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State of California, and the acts amendatory thereof and supplemental thereto.

“Redevelopment Obligation Retirement Fund” means the fund established and held by the Successor Agency pursuant to Section 34170.5(a) of the Redevelopment Law.

“Redevelopment Plan” means the First Amended and Restated Redevelopment Plan for the Yuba City Redevelopment Project, approved by Ordinance No. 05-01 enacted by the City Council of the City on July 7, 2001, together with all amendments thereof duly authorized under the Redevelopment Law.

“Redevelopment Project” means the undertaking of the Former Agency under the Redevelopment Plan and the Redevelopment Law for the redevelopment of the Project Area.

“Redevelopment Property Tax Trust Fund” means the fund established under Section 34170.5(b) of the Redevelopment Law and administered by the Sutter County Auditor-Controller.

“Refunding Bond Law” means Article 11 (commencing with Section 53580) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California, and the acts amendatory thereof and supplemented thereto.

“Registration Books” means the records maintained by the Trustee under Section 2.06 for the registration and transfer of ownership of the Bonds.

“Request of the Successor Agency” means a request in writing signed by the Chair, Vice Chair, Executive Director, Treasurer or Secretary of the Successor Agency, or any other officer of the Successor Agency duly authorized by the Successor Agency for that purpose.

“Reserve Account” means the account by that name established and held by the Trustee under Section 4.03(c).

“Reserve Policy” means the Municipal Bond Debt Service Reserve Policy issued by the Bond Insurer for the account of the Reserve Account.

“Reserve Requirement” means an amount equal to \$_____.

“S&P” means Standard & Poor’s Corporation, of New York, New York, and its successors.

“Securities Depositories” means DTC and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Successor Agency may designate in a Request of the Successor Agency delivered by the Successor Agency to the Trustee.

“Semiannual Period” means (a) each six-month period beginning on January 1 of any calendar year and ending on June 30 of such calendar year, and (b) each six-month period beginning on July 1 of any calendar year and ending on December 31 of such calendar year.

“Successor Agency” means the Successor Agency to the Redevelopment Agency of the City of Yuba City, a public entity duly organized and existing under the Redevelopment Law.

“Supplemental Indenture” means any indenture, agreement or other instrument which amends, supplements or modifies this Indenture and which has been duly entered into between the Successor Agency and the Trustee; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

“Tax Revenues” means all amounts deposited from time to time in the Redevelopment Property Tax Trust Fund as provided in Section 34183(a)(2) of the Redevelopment Law, excluding (a) administrative fees payable to the County under Section 34182 of the Redevelopment Law, and (b) amounts which are required to be paid to other public agencies under the Tax Sharing Agreements or the Tax Sharing Statutes, unless subordinated to the payment of debt service on the Bonds, the 2005 IBank Loan or any Parity Debt pursuant to Sections 33607.5(e) and 34177.5(c) of the Redevelopment Law. If and to the extent the provisions of Section 34172 or Section 34183(a)(2) of the Redevelopment Law are invalidated by a final judicial decision, the term “Tax Revenues” shall mean all taxes annually allocated to the Agency with respect to the Project Area under Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State of California and as provided in the Redevelopment Plan.

“Tax Sharing Agreements” means, collectively, all of the following agreements, as originally entered into or as amended from time to time in accordance with their terms and with the terms of this Indenture:

- (a) the agreement dated July 11, 1989, among the Agency, the County and the Sutter County Water Agency;
- (b) the agreement dated October 12, 1989, between the Agency and the Gilsizer Drainage District; and
- (c) any other agreement entered into under Section 5.10.

“Tax Sharing Statutes” means the provisions of the Redevelopment Law, including but not limited to Sections 33607.5, 33607.7 and 33676 thereof, under which a taxing entity is entitled to receive any portion of the Tax Revenues by operation of such statutory provision.

“Term Bonds” means the Bonds maturing on September 1 in each of the years _____ and _____.

“Trustee” means MUFG Union Bank, N.A., as Trustee hereunder, or any successor thereto appointed as Trustee hereunder in accordance with the provisions of Article VI.

“2004 Series A Bonds” means the Redevelopment Agency of the City of Yuba City, Yuba City Redevelopment Project, 2004 Tax Allocation Bonds, Series A, issued in

the original principal amount of \$16,210,000 under the Indenture of Trust dated as of July 1, 2004, between the Former Agency and Union Bank of California, N.A., as trustee.

“2004 Series B Bonds” means the Redevelopment Agency of the City of Yuba City, Yuba City Redevelopment Project 2004 Housing Set-Aside Revenue Bonds, Series B, issued in the original principal amount of \$4,480,000 under the Indenture of Trust dated as of July 1, 2004, between the Former Agency and Union Bank of California, N.A., as trustee.

“2005 iBank Loan” means the loan made to the Former Agency in the aggregate principal amount of \$1,905,700 under that certain Tax Allocation Loan Agreement dated as of June 1, 2005, between the Former Agency and the California Infrastructure and Economic Development Bank.

“2007 Bonds” means the Redevelopment Agency of the City of Yuba City, Yuba City Redevelopment Project, 2007 Tax Allocation Bonds, issued in the original principal amount of \$16,000,000 under the Indenture of Trust dated as of June 1, 2007, between the Former Agency and Union Bank of California, N.A., as trustee.

The Principal Amount hereof is payable upon presentation hereof at the corporate office of MUFG Union Bank, N.A., as trustee (the "Trustee"), in Los Angeles, California, or such other place as designated by the Trustee. Interest hereon is payable by check of the Trustee mailed by first class mail on each Interest Payment Date to the Registered Owner hereof at the address of such Registered Owner as it appears on the registration books of the Trustee as of the preceding Record Date; provided that at the written request of the owner of at least \$1,000,000 aggregate principal amount of Bonds which written request is on file with the Trustee prior to the Record Date immediately preceding any Interest Payment Date, interest on such Bonds shall be paid on such Interest Payment Date by wire transfer to such account within the United States of America as shall be specified in such written request.

This Bond is one of a duly authorized issue of bonds of the Successor Agency designated as the "Successor Agency To The Redevelopment Agency of the City of Yuba City Yuba City Redevelopment Project 2015 Tax Allocation Refunding Bonds" (the "Bonds") of an aggregate principal amount of \$_____, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities or interest rates) and all issued under the provisions of Article 11 (commencing with Section 53580) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California, and under an Indenture of Trust dated as of December 1, 2015, between the Successor Agency and the Trustee (the "Indenture"). The Bonds have been authorized to be issued by the Successor Agency under a resolution of the Successor Agency adopted on September __, 2015. Reference is hereby made to the Indenture (copies of which are on file at the office of the Successor Agency) and all supplements thereto and to the Redevelopment Law for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Tax Revenues, as that term is defined in the Indenture, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Successor Agency thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Successor Agency to refinance certain indebtedness previously incurred by the former Redevelopment Agency of the City of Yuba City under the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Redevelopment Law") in connection with the Yuba City Redevelopment Project in the City of Yuba City, California (the "Project Area"), a duly designated redevelopment project area under the laws of the State of California.

This Bond and the interest hereon are payable from, and are secured by a charge and lien on the Tax Revenues derived by the Successor Agency from the Project Area, on a subordinate basis to certain outstanding bonds of the Successor Agency. As and to the extent set forth in the Indenture, all of the Tax Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture and the Redevelopment Law, to the payment of the principal of and interest and redemption premium (if any) on the Bonds. Notwithstanding the foregoing, certain amounts out of Tax Revenues may be applied for other purposes as provided in the Indenture.

This Bond is not a debt of the City of Yuba City, the State of California, or any of its political subdivisions, and neither said City, said State, nor any of its political

subdivisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties other than the Tax Revenues.

The rights and obligations of the Successor Agency and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall permit a change in the terms of maturity of the principal of any outstanding Bond or of any installment of interest thereon or a reduction in the rate of interest thereon without the consent of the owner of such Bond, or shall reduce the percentages of the owners required to effect any such modification or amendment.

The Bonds maturing on or before September 1, 20__, are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after September 1, 20__, are subject to redemption in whole, or in part at the written request of the Successor Agency among maturities on such basis as shall be designated by the Successor Agency and by lot within a maturity, at the option of the Successor Agency, on any date on or after September 1, 20__, from any available source of funds, at a redemption price equal to 100% of the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

The Bonds maturing on September 1, 20__, are subject to mandatory sinking fund redemption in part by lot, on September 1 in each of the years as set forth in the following table, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium; *provided, however*, that if some but not all of such Bonds of any maturity have been redeemed under the optional redemption provisions described above, the total amount of all future sinking fund payments with respect to such Bonds shall be reduced by the aggregate principal amount of such Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of \$5,000 as determined by the Successor Agency (written notice of which determination shall be given by the Successor Agency to the Trustee).

**Mandatory Sinking Fund Redemption of
Bonds Maturing September 1, 20__**

Sinking Fund Redemption Date (September 1)	Principal Amount To Be Redeemed
--	------------------------------------

As provided in the Indenture, the Trustee is required to mail notice of redemption of any Bonds by first class mail, postage prepaid, not less than 30 nor more than 60 days before the redemption date, to the registered owners of the Bonds to be redeemed, but neither failure to receive such notice nor any defect in the notice so mailed affects the sufficiency of the proceedings for prepayment or the cessation of accrual of interest thereon. Any notice so given by the Trustee may be rescinded under the circumstances and with the effect set forth in the Indenture. If this Bond is called for redemption and

payment is duly provided therefor as specified in the Indenture, interest hereon will cease to accrue from and after the date fixed for redemption.

If an Event of Default occurs under and as defined in the Indenture, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said corporate trust office of the Trustee in Los Angeles, California, or such other place as designated by the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor.

The Successor Agency and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Successor Agency and the Trustee shall not be affected by any notice to the contrary.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Successor Agency, does not exceed any limit prescribed by any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond is not entitled to any benefit under the Indenture and is not valid or obligatory for any purpose until the certificate of authentication hereon endorsed has been signed by the Trustee.

IN WITNESS WHEREOF, the SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF YUBA CITY has caused this Bond to be executed in its name and on its behalf with the manual signature of its Chair and its facsimile seal impressed hereon and attested to by the manual signature of its Secretary, all as of the Original Issue Date specified above.

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
CITY OF YUBA CITY**

By _____
Chair

Attest:

Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Dated:

MUFG UNION BANK, N.A., as Trustee

By _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Bond and hereby _____ irrevocably constitute(s) _____ and _____ appoint(s) _____ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an eligible guarantor institution.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

APPENDIX C

PROVISIONS RELATING TO RESERVE POLICY

So long as the Reserve Policy remains in force and effect, the following provisions of this Appendix C shall govern, notwithstanding anything to the contrary contained in this Indenture:

ESCROW AGREEMENT

This ESCROW AGREEMENT (this "Agreement"), dated December __, 2015, is between the SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF YUBA CITY, a public agency duly organized and existing under the laws of the State of California (the "Successor Agency"), and MUFG UNION BANK, N.A., a national banking association organized and existing under the laws of the United States of America, acting as escrow agent (the "Escrow Agent") and as trustee for the 2004 Series A Bonds, 2004 Series B Bonds and 2007 Bonds described below.

BACKGROUND:

1. In order to finance the acquisition, construction of public capital improvements relating to the Yuba City Redevelopment Project, the Redevelopment Agency of the City of Yuba City (the "Former Agency") has previously issued the following bonds (collectively, the "Prior Bonds"):

- (a) the Redevelopment Agency of the City of Yuba City, Yuba City Redevelopment Project 2004 Tax Allocation Bonds, Series A (the "2004 Series A Bonds"), which were issued by the Former Agency in the aggregate original principal amount of \$16,210,000 under an Indenture of Trust dated as of July 1, 2004 (the "2004 Series A Bond Indenture"), between the Former Agency and Union Bank of California, N.A., as trustee;
- (b) the Yuba City Redevelopment Project 2004 Housing Set-Aside Revenue Bonds, Series B (the "2004 Series B Bonds"), which were issued by the Former Agency in the aggregate original principal amount of \$4,480,000 under an Indenture of Trust dated as of July 1, 2004 (the "2004 Series B Bond Indenture"), between the Former Agency and Union Bank of California, N.A., as trustee; and
- (c) the Yuba City Redevelopment Project 2007 Tax Allocation Bonds (the "2007 Bonds") which were issued by the Former Agency in the aggregate original principal amount of \$16,000,000 under an Indenture of Trust dated as of June 1, 2007 (the "2007 Bond Indenture"), between the Former Agency and Union Bank of California, N.A., as trustee.

2. The Successor Agency currently serves as successor in interest to the Former Agency, including its interests as issuer of the Prior Bonds.

3. Under 2004 Series A Bond Indenture, the 2004 Series B Bond Indenture and the 2007 Bond Indenture (collectively, the "Prior Bond Indentures"), the Successor Agency has the right to redeem the Prior Bonds on certain dates and to secure the payment and redemption of the Prior Bonds with an irrevocable deposit of funds.

4. In order to provide funds to pay and redeem Prior Bonds and thereby discharge and defease the Prior Bonds and achieve debt service savings in accordance

with the provisions of Section 34177.5(a)(1) of the Health and Safety Code of the State of California, the Successor Agency has authorized the issuance of its Successor Agency To The Redevelopment Agency of the City of Yuba City, Yuba City Redevelopment Project 2015 Tax Allocation Refunding Bonds in the aggregate principal amount of \$_____ (the "2015 Bonds") under an Indenture of Trust dated as of December 1, 2015 (the "2015 Bond Indenture"), between the Successor Agency and MUFG Union Bank, N.A., as trustee (the "2015 Trustee").

5. The Successor Agency wishes to appoint the Escrow Agent for the purpose of establishing an irrevocable escrow fund to be funded, invested, held and administered for the purpose of providing for the payment and redemption of the Prior Bonds in full in accordance with the Prior Bond Indentures.

A G R E E M E N T :

In consideration of the premises and the material covenants contained herein, the Successor Agency and the Escrow Agent hereby agree as follows:

SECTION 1. *Definition of Federal Securities.* As used herein, the term "Federal Securities" means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

SECTION 2. *Appointment of Escrow Agent; Establishment of Escrow Fund.* The Successor Agency hereby appoints the Escrow Agent to act as escrow agent for purposes of administering the funds required to pay and redeem the Prior Bonds in full in accordance with respective Prior Bond Indentures.

The Escrow Agent is hereby directed to establish an escrow fund (the "Escrow Fund") to be held by the Escrow Agent in trust as an irrevocable escrow securing the payment and redemption of the Prior Bonds in accordance with the respective Prior Bond Indentures. If at any time the Escrow Agent receives actual knowledge that the cash and Federal Securities in the Escrow Fund will not be sufficient to make any payment required by Section 6, the Escrow Agent shall notify the Successor Agency of such fact and the Successor Agency shall immediately cure such deficiency from any source of legally available funds. The Escrow Agent has no liability for any such insufficiency.

SECTION 3. *Deposit of Amounts in Escrow Fund.* On December __, 2015 (the "Closing Date"), the Successor Agency shall cause to be transferred to the Escrow Agent for deposit into the Escrow Fund the amount of \$_____ in immediately available funds, to be derived from the following sources in the following respective amounts:

- (a) from the proceeds of the 2015 Bonds in the amount of \$_____;

- (b) from the Reserve Account which has been established for the 2004 Series A Bonds under Section 4.03(c) of the 2004 Series A Bond Indenture in the amount of \$_____;
- (c) from the Reserve Account which has been established for the 2004 Series B Bonds under Section 4.03(c) of the 2004 Series B Bond Indenture in the amount of \$_____;
- (d) from the Reserve Account which has been established for the 2007 Bonds under Section 4.03(c) of the 2007 Bond Indenture in the amount of \$_____; and
- (e) from unspent proceeds of the 2007 Bonds which are transferred to the Escrow Bank by the Successor Agency in the amount of \$_____.

SECTION 4. *Investment of Amounts in Escrow Fund.* On the Closing Date, the Escrow Agent shall invest \$_____ of the funds held by it in the Escrow Fund in the following Federal Securities, and shall hold the remaining \$_____ in cash, uninvested.

<u>Security</u>	<u>CUSIP</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Purchase Price</u>
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SECTION 5. *Irrevocable Election to Redeem the Prior Bonds.* The Successor Agency hereby irrevocably elects to (a) redeem the 2004 Series A Bonds in full on January __, 2016, in accordance with the provisions of Section 2.03(a) of the 2004 Series A Bond Indenture, (a) redeem the 2004 Series B Bonds in full on January __, 2016, in accordance with the provisions of Section 2.03(a) of the 2004 Series B Bond Indenture, and (c) (redeem the 2007 Bonds in full on September 1, 2017, in accordance with the provisions of Section 2.03(a) of the 2007 Bond Indenture. Notice of redemption of the Prior Bonds shall be given by the Escrow Agent, in its capacity as trustee for the Prior Bonds, in accordance with Section 2.03(c) of each of the Prior Bond Indentures, at the expense of the Successor Agency.

SECTION 6. *Application of Amounts in Escrow Fund.* The Escrow Agent shall apply amounts on deposit in the Escrow Fund to pay and redeem the Prior Bonds in accordance with the following schedules:

2004 Series A Bonds

<u>Payment Date</u>	<u>Interest Payment</u>	<u>Redeemed Principal</u>	<u>Total</u>
January __, 2016			

2004 Series B Bonds

<u>Payment Date</u>	<u>Interest Payment</u>	<u>Redeemed Principal</u>	<u>Total</u>
January __, 2016			

2007 Bonds

<u>Payment Date</u>	<u>Interest Payment</u>	<u>Maturing Principal</u>	<u>Redeemed Principal</u>	<u>Total</u>
March 1, 2016				
September 1, 2016				
March 1, 2017				
September 1, 2017				

Following the payment and redemption of the 2007 Bonds in full on September 1, 2017, the Escrow Agent shall transfer any amounts remaining on deposit in the Escrow Fund to the 2015 Trustee to be deposited in the Debt Service Fund established for the 2015 Bonds under Section 4.03 of the 2015 Bond Indenture (the "2015 Debt Service Fund") and applied to pay interest next coming due and payable on the 2015 Bonds.

SECTION 7. *Transfer of Prior Bond Funds.* On the Closing Date, the Prior Bond Trustee shall (a) withdraw from each of the respective reserve accounts established for the Prior Bonds the respective amounts set forth in Section 3 and transfer such amounts to the Escrow Fund, and (b) withdraw any other amounts held in the funds and accounts established under the Prior Bond Indentures and transfer such amounts to the 2015 Trustee for deposit in the 2015 Debt Service Fund to be applied to pay interest next coming due and payable on the 2015 Bonds.

SECTION 8. *Compensation to Escrow Agent.* The Successor Agency shall pay the Escrow Agent full compensation for its services under this Agreement, including out-of-pocket costs such as publication costs, prepayment expenses, legal fees and other costs and expenses relating hereto and, in addition, all fees, costs and expenses relating to the purchase, substitution or withdrawal of any Federal Securities after the date hereof. Under no circumstances shall amounts deposited in or credited to the Escrow Fund be deemed to be available for said purposes. The Escrow Agent has no lien upon or right of set off against the cash and Federal Securities at any time on deposit in the Escrow Fund.

The Successor Agency shall indemnify, defend and hold harmless the Escrow Agent and its officers, directors, employees, representatives and agents, from and against and reimburse the Escrow Agent for any and all claims, obligations, liabilities, losses, damages, actions, suits, judgments, reasonable costs and expenses (including reasonable attorneys' and agents' fees and expenses) of whatever kind or nature regardless of their merit, demanded, asserted or claimed against the Escrow Agent directly or indirectly relating to, or arising from, claims against the Escrow Agent by reason of its participation in the transactions contemplated hereby, except to the extent caused by the Escrow Agent's gross negligence or willful misconduct. The provisions of

this Section shall survive the termination of this Agreement or the earlier resignation or removal of the Escrow Agent.

SECTION 9. *Immunities and Liability of Escrow Agent.* The Escrow Agent undertakes to perform only such duties as are expressly set forth in this Agreement and no implied duties, covenants or obligations shall be read into this Agreement against the Escrow Agent. The Escrow Agent shall not have any liability hereunder except to the extent of its gross negligence or willful misconduct. In no event shall the Escrow Agent be liable for any special, indirect or consequential damages. The Escrow Agent shall not be permitted to make any investments of amounts held by it in the Escrow Fund. The Escrow Agent may consult with legal counsel of its own choice and the Escrow Agent shall not be liable for any action taken or not taken by it in good faith in reliance upon the opinion or advice of such counsel. The Escrow Agent shall not be liable for the recitals or representations contained in this Agreement and shall not be responsible for the validity of this Agreement, the sufficiency of the Escrow Fund or the moneys and Federal Securities to pay the principal or and interest on the Prior Bonds.

Whenever in the administration of this Agreement the Escrow Agent deems it necessary or desirable that a matter be proved or established prior to taking or not taking any action, such matter may be deemed to be conclusively proved and established by a certificate of an authorized representative of the Successor Agency and shall be full protection for any action taken or not taken by the Escrow Agent in good faith reliance thereon.

The Escrow Agent may conclusively rely as to the truth and accuracy of the statements and correctness of any opinions or calculations provided to it in connection with this Agreement and shall be protected in acting, or refraining from acting, upon any notice, instruction, request, certificate, document, opinion or other writing furnished to the Escrow Agent in connection with this Agreement and believed by the Escrow Agent to be signed by the proper party, and it need not investigate any fact or matter stated therein.

None of the provisions of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Escrow Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed. The Escrow Agent shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Escrow Agent and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

The Escrow Agent may at any time resign by giving 30 days written notice of resignation to the Successor Agency. Upon receiving such notice of resignation, the Successor Agency shall promptly appoint a successor and, upon the acceptance by the successor of such appointment, release the resigning Escrow Agent from its obligations hereunder by written instrument, a copy of which instrument shall be delivered to each of

the Successor Agency, the resigning Escrow Agent and the successor. If no successor shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor.

Any bank, corporation or association into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any bank, corporation or association resulting from any merger, conversion or consolidation to which the Escrow Agent shall be a party, or any bank, corporation or association succeeding to all or substantially all of the corporate trust business of the Escrow Agent shall be the successor of the Escrow Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except on the part of any of the parties hereto where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

SECTION 10. *Furnishing of Statements.* The Escrow Agent shall furnish the Successor Agency periodic cash transaction statements which include detail for all investment transactions effected by the Escrow Agent or brokers selected by the Successor Agency. Upon the Successor Agency's election, such statements will be delivered via the Escrow Agent's online service and upon electing such service, paper statements will be provided only upon request. The Successor Agency waives the right to receive brokerage confirmations of security transactions effected by the Escrow Agent as they occur, to the extent permitted by law. The Successor Agency further understands that trade confirmations for securities transactions effected by the Escrow Agent will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

SECTION 11. *Electronic Communications.* The Escrow Agent agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods; *provided, however,* that (a) the Escrow Agent shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing, and (b) an e-mail does not constitute a notice, request or other communication hereunder but rather the portable document format or similar attachment attached to such e-mail shall constitute a notice, request or other communication hereunder. If the Successor Agency elects to give the Escrow Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Escrow Agent in its discretion elects to act upon such instructions, the Escrow Agent understanding of such instructions shall be deemed controlling. The Escrow Agent is not liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Successor Agency agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

SECTION 12. *Termination of Agreement.* Upon payment and prepayment in full of the Prior Bonds, and upon payment of all fees, expenses and charges of the Escrow

Agent as described above, this Agreement shall terminate and the Escrow Agent shall be discharged from any further obligation or responsibility hereunder.

SECTION 13. *Execution in Counterparts.* This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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

**SUCCESSOR AGENCY TO THE YUBA
CITY REDEVELOPMENT AGENCY**

By: _____
Chair

WELLS FARGO BANK, N.A.
as Escrow Agent and as trustee for the
Prior Bonds

By _____
Authorized Officer

\$ _____
**Successor Agency To The Redevelopment Agency of the City of Yuba City
Yuba City Redevelopment Project
2015 Tax Allocation Refunding Bonds**

BOND PURCHASE AGREEMENT

December __, 2015

Successor Agency to the Redevelopment Agency of the City of Yuba City
1201 Civic Center Blvd.
Yuba City, California 95993

Ladies and Gentlemen:

_____ (the "Underwriter") offers to enter into this Bond Purchase Agreement (this "Purchase Agreement") with the Successor Agency to the Redevelopment Agency of the City of Yuba City (the "Agency") which will be binding upon the Agency and the Underwriter upon the acceptance hereof by the Agency. This offer is made subject to its acceptance by the Agency by execution of this Purchase Agreement and its delivery to the Underwriter on or before 5:00 p.m., California time, on the date hereof. All terms used herein and not otherwise defined shall have the respective meanings given to such terms in the Indenture (as hereinafter defined).

The Agency acknowledges and agrees that: (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm's length commercial transaction between the Agency and the Underwriter; (ii) in connection with such transaction, the Underwriter is acting solely as principal and not as agent or a fiduciaries of the Agency; (iii) the Underwriter has not assumed a fiduciary responsibility in favor of the Agency with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or are currently providing other services to the Agency on other matters); and (iv) the Agency has consulted with its own legal and financial advisors to the extent it has deemed appropriate.

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriter hereby agrees to purchase from the Agency for offering to the public, and the Agency hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of the \$_____ aggregate principal amount of the Agency's Yuba City Redevelopment Project, 2015 Tax Allocation Refunding Bonds (the "Bonds"), at a purchase price equal to \$_____ (being the aggregate principal amount thereof less an Underwriter's discount of \$_____ and less an original issue discount of \$_____). In addition, on behalf of the Agency, the Underwriter shall wire the amount of \$_____ to the Insurer (defined below) to pay the costs of the premium for the Reserve Insurance Policy (defined below). The Bonds are to be purchased by the Underwriter from the Agency. Such payment and delivery and the other actions contemplated hereby to take place at the time of such payment and delivery are herein sometimes called the "Closing."

2. The Bonds and Related Documents. The Bonds shall be substantially in the form described in, and shall be issued and secured under the provisions of an Indenture of Trust dated as of December 1, 2015, (the "Indenture"), between the Agency and MUFJ Union Bank of California, N.A., as trustee (the "Trustee"), pursuant Part 1, Division 24 of the California Health and Safety Code (the "Law") and Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Act") and a resolution of the Agency adopted on September 1, 2015 (the "Agency Resolution").

The issuance of the Bonds was approved by the Oversight Board for the Successor Agency by a resolution adopted on September __, 2015 (the "Oversight Board Resolution"). The Bonds shall be as described in the Indenture and the Official Statement dated the date hereof relating to the Bonds (which, together with all exhibits and appendices included therein or attached thereto and such amendments or supplements thereto which shall be approved by the Underwriter, is hereinafter called the "Official Statement"). The Bonds shall be subject to redemption in accordance with the provisions set forth in Exhibit A hereto. A debt service reserve insurance policy (the "Reserve Insurance Policy") shall be purchased from _____ (the "Insurer").

The net proceeds of the Bonds will be used to pay and redeem: (i) the Redevelopment Agency of the City of Yuba City, Yuba City Redevelopment Project 2004 Tax Allocation Bonds, Series A (the "2004 Series A Bonds"), which were issued by the former Redevelopment Agency of the City of Yuba City (the "Former Agency") in the aggregate principal amount of \$16,210,000; (ii) the Yuba City Redevelopment Project 2004 Housing Set-Aside Revenue Bonds, Series B (the "2004 Series B Bonds"), which were issued by the Former Agency in the aggregate principal amount of \$4,480,000; and (iii) the Yuba City Redevelopment Project 2007 Tax Allocation Bonds (the "2007 Bonds") which were issued by the Former Agency in the aggregate principal amount of \$16,000,000. The refunding of the 2004 Series A Bonds, the 2004 Series B Bonds and the 2007 Bonds (collectively, the "Prior Bonds"), will be accomplished under an Escrow Agreement dated as of the Closing (the "Escrow Agreement"), between the Agency and MUFJ Union Bank of California, N.A., as escrow agent (the "Escrow Agent").

The Agency will undertake pursuant to the provisions of a Continuing Disclosure Certificate, to be dated the date of the Closing (the "Disclosure Certificate") and executed by the Agency, to provide certain annual information and notices of the occurrence of certain enumerated events. A description of the undertaking is set forth in the Preliminary Official Statement (as defined below) and will also be set forth in the Official Statement.

The Indenture, the Continuing Disclosure Certificate, the Escrow Agreement and this Purchase Agreement are sometimes collectively referred to herein as the "Agency Legal Documents".

3. Offering. The Underwriter agrees to make a bona fide public offering of all of the Bonds at the initial public offering prices or yields set forth in Exhibit A hereto and on the inside front cover page of the Official Statement. The Underwriter reserves the right to change, subsequent to the initial public offering, such initial offering prices as it shall deem necessary in connection with the marketing of the Bonds.

4. Use and Preparation of Documents. The Agency has caused to be prepared and delivered to the Underwriter prior to the execution of this Purchase Agreement copies of the Preliminary Official Statement dated November __, 2015, relating to the Bonds (the "Preliminary Official Statement"), which was approved by a resolution adopted on November __, 2015 (the "Agency OS Resolution").

5. Resolution. The Agency ratifies, confirms and approves the use by the Underwriter prior to the date hereof of the Preliminary Official Statement. The Agency has previously deemed the Preliminary Official Statement to be final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12"), except for information permitted to be omitted therefrom by Rule 15c2-12. The Agency hereby agrees to deliver or cause to be delivered to the Underwriter, within seven (7) business days of the date hereof, but not less than one (1) business day prior to Closing a sufficient number of copies of the final Official Statement relating to the Bonds, dated the date hereof, which includes all information permitted to be omitted by Rule 15c2-12 and any amendments or supplements to such Official Statement as have been approved by the Agency and the Underwriter (the "Official Statement") to enable the Underwriter to distribute a single copy of each Official Statement to any potential customer of the Underwriter requesting an Official Statement during the time period beginning when the Official Statement becomes available and ending 25 days after the End of the Underwriting Period (defined below). The Agency hereby approves of the use and distribution (including the electronic distribution) by the Underwriter of the Preliminary Official Statement and the Official Statement in connection with the offer and sale of the Bonds. The Agency shall have executed and delivered to the Underwriter a certification to such effect in the form attached hereto as Exhibit B. The Underwriter agrees that it will not confirm the sale of any Bonds unless the confirmation of sale is accompanied or preceded by the delivery of a copy of the Official Statement.

6. Representations, Warranties and Agreements of the Agency. The Agency hereby represents, warrants and agrees as follows:

(a) The Agency is a public entity existing under the laws of the State of California (the "State"), including the Law.

(b) The Agency has full legal right, power and authority to enter into the Agency Legal Documents and carry out and consummate the transactions contemplated by the Agency Legal Documents.

(c) By all necessary official action of the Agency prior to or concurrently with the acceptance hereof, the Agency has duly authorized and approved the preparation and use of the Preliminary Official Statement and the Official Statement, the execution and delivery of the Official Statement and the Agency Legal Documents, and the performance by the Agency of all transactions contemplated by the Agency Legal Documents; and the Agency Legal Documents will constitute legal, valid and binding obligations of the Agency, enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally.

(d) The Agency is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation to

which it is subject or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement (including, without limitation, the Indenture) or other instrument to which the Agency is a party or to which the Agency or any of its property or assets is otherwise subject, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the execution and delivery of the Agency Legal Documents, and compliance with the provisions on the Agency's part contained therein, will not conflict with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Agency is a party or to which the Agency or any of its property or assets is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Agency or under the terms of any such constitutional provision, law, regulation or instrument, except as provided by the Indenture.

(e) Except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Agency of its obligations under the Agency Legal Documents have been duly obtained.

(f) Between the date of this Purchase Agreement and the date of the Closing, the Agency will not, without the prior written consent of the Underwriter, offer or issue any bonds, notes or other obligations for borrowed money, or incur any material liabilities, direct or contingent, payable from Tax Revenues (as defined in the Indenture), nor will there be any adverse change of a material nature in the financial position, results of operations or condition, financial or otherwise, of the Agency.

(g) To the best knowledge of the officer of the Agency executing this Purchase Agreement, after due inquiry, as of the date hereof, there is no action, suit, proceeding, inquiry or investigation, at law or in equity before or by any court, government agency, public board or body, pending or threatened against the Agency, affecting the existence of the Agency or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the execution and delivery of the Indenture or the collection of the Tax Revenues or contesting or affecting, as to the Agency, the validity or enforceability of the Agency Legal Documents or contesting the exclusion from gross income of interest on the Bonds for federal income tax purposes, or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the powers of the Agency, or in any way contesting or challenging the consummation of the transactions contemplated hereby, or which might result in a material adverse change in the financial condition of the Agency or which might materially adversely affect the Tax Revenues of the Agency; nor, to the best knowledge of the Agency, is there any known basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision,

ruling or finding would materially adversely affect the validity of the authorization, execution, delivery or performance by the Agency of the Agency Legal Documents.

(h) As of the time of acceptance hereof and as of the date of the Closing, the Agency does not and will not have outstanding any indebtedness which indebtedness is secured by a lien on the Tax Revenues of the Agency superior to or on a parity with the lien provided for in the Indenture on the Tax Revenues, other than as disclosed in the Official Statement.

(i) As of the time of acceptance hereof and as of the date of the Closing, the Agency has complied with the filing requirements of the Law, including, without limitation, the filing of all Recognized Obligation Payment Schedules, as required by the Law.

(j) As of the date thereof, the Preliminary Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein in light of the circumstances under which they were made, not misleading (except that this representation does not include information relating to The Depository Trust Company or the book-entry-only system, the Insurer or the Reserve Insurance Policy).

(k) As of the date thereof and at all times subsequent thereto to and including the date which is 25 days following the End of the Underwriting Period (as such term is hereinafter defined) for the Bonds, the Official Statement did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made not misleading (except that this representation does not include information relating to The Depository Trust Company or the book-entry-only system).

(l) If between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, an event occurs which would cause the information contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information herein, in the light of the circumstances under which it was presented, not misleading, the Agency will notify the Underwriter, and, if in the opinion of the Underwriter or the Agency, or respective counsel, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Agency will cooperate in the preparation of an amendment or supplement to the Official Statement in a form and manner approved by the Underwriter, and shall pay all expenses thereby incurred. For the purposes of this subsection, between the date hereof and the date which is 25 days of the End of the Underwriting Period for the Bonds, the Agency will furnish such information with respect to itself as the Underwriter may from time to time reasonably request. As used herein, the term "End of the Underwriting Period" means the later of such time as: (i) the Agency delivers the Bonds to the Underwriter; or (ii) the Underwriter does not retain, directly or as members of an underwriting syndicate, an unsold balance of the Bonds for sale to the public.

Notwithstanding the foregoing, unless the Underwriter gives notice to the contrary, the “End of the Underwriting Period” shall be the date of Closing.

(m) If the information contained in the Official Statement is amended or supplemented pursuant to paragraph (l) hereof, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the Bonds, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact required to be stated therein or necessary to make such information therein in the light of the circumstances under which it was presented, not misleading (except that this representation does not include information relating to The Depository Trust Company or the book-entry-only system).

(n) After the Closing, the Agency will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriter shall reasonably object in writing or which shall be disapproved by counsel for the Underwriter.

(o) Any certificate signed by any officer of the Agency and delivered to the Underwriter shall be deemed a representation by the Agency to the Underwriter as to the statements made therein.

(p) The Agency will apply the proceeds from the sale of the Bonds for the purposes specified in the Official Statement.

(q) The Agency has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the Agency is not a bond issuer whose arbitrage certifications may not be relied upon.

(r) The Agency will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter, at the expense of the Underwriter, as it may reasonably request in order to qualify the Bonds for offer and sale under the “blue sky” or other securities laws and regulations of such states and other jurisdictions of the United States of America as the Underwriter may designate; provided, however, that the Agency will not be required to execute a special or general consent to service of process or qualify as a foreign corporation in connection with any such qualification in any jurisdiction.

(s) The Agency will refrain from taking any action with regard to which the Agency may exercise control that results in the inclusion in gross income for federal income tax purposes of the interest on the Bonds or State of California income tax purposes of the interest on the Bonds.

(t) Except as disclosed in the Official Statement, the Agency has not defaulted in any material respect under any prior continuing disclosure undertaking within the previous five years.

(u) The Oversight Board has duly adopted the Oversight Board Resolution approving the issuance of the Bonds and no further Oversight Board approval or consent is required for the issuing of the Bonds or the consummation of the transactions described in the Preliminary Official Statement.

(v) The Department of Finance of the State (the "Department of Finance") has issued a letter, dated November __, 2015, approving the issuance of the Bonds. No further Department of Finance approval or consent is required for the issuance of the Bonds or the consummation of the transactions described in the Preliminary Official Statement. Except as disclosed in the Preliminary Official Statement, the Agency is not aware of the Department of Finance directing or having any basis to direct the Auditor-Controller of Sutter County (the "County") to deduct unpaid unencumbered funds from future allocations of property tax to the Agency pursuant to Section 34183 of the Dissolution Act.

7. Closing. At 8:00 A.M., California time, on December __, 2015, or on such other date as may be mutually agreed upon by the Agency and the Underwriter, the Agency will, subject to the terms and conditions hereof, sell and deliver the Bonds to the Underwriter, duly executed and authenticated, together with the other documents hereinafter mentioned, and, subject to the terms and conditions hereof, the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 in federal funds. Sale, delivery and payment as aforesaid shall be made at the offices of Jones Hall, A Professional Law Corporation, San Francisco, California ("Bond Counsel"), or such other place as shall have been mutually agreed upon by the Agency and the Underwriter, except that the Bonds (with one certificate for each maturity and otherwise in a form suitable for the book-entry system) shall be delivered to the Underwriter in New York, New York, through the book-entry system of The Depository Trust Company ("DTC"). Unless the DTC Fast Automated Securities Transfer ("FAST") is utilized, the Bonds will be made available for inspection by DTC at least one business day prior to the Closing.

8. Closing Conditions. The Underwriter has entered into this Purchase Agreement in reliance upon the representations and warranties of the Agency contained herein, and in reliance upon the representations and warranties to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Agency of its obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriter's obligations under this Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Agency of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions:

(a) The Underwriter shall receive, within seven (7) business days of the date hereof, but in no event less than 1 day prior to Closing, copies of the Official Statement (including all information previously permitted to have been omitted from the Preliminary Official Statement by Rule 15c2-12 and any amendments or supplements as have been approved by the Underwriter), in such reasonable quantity as the Underwriter shall have requested;

(b) The representations and warranties of the Agency contained herein shall be true, complete and correct on the date hereof and on and as of

the date of the Closing, as if made on the date of the Closing and the statements of the officers and other officials of the Agency and the Trustee made in any certificate or other document furnished pursuant to the provisions hereof are accurate;

(c) At the time of the Closing, the Agency Legal Documents shall have been duly authorized, executed and delivered by the respective parties thereto, and the Official Statement shall have been duly authorized, executed and delivered by the Agency, all in substantially the forms heretofore submitted to the Underwriter, with only such changes as shall have been agreed to in writing by the Underwriter, and shall be in full force and effect; and there shall be in full force and effect such resolution or resolutions of the governing body of the Agency as, in the opinion of Bond Counsel, shall be necessary or appropriate in connection with the transactions contemplated hereby;

(d) At the time of the Closing, all necessary official action of the Agency relating to the Official Statement and the Agency Legal Documents shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect;

(e) At or prior to the Closing, the Underwriter shall have received copies of each of the following documents:

(i) Bond Counsel Opinion. The approving opinion of Bond Counsel to the Agency, dated the date of the Closing and substantially in the form included as Appendix B to the Official Statement;

(ii) Supplemental Opinion of Bond Counsel. A supplemental opinion or opinions of Bond Counsel addressed to the Underwriter, in form and substance acceptable to the Underwriter, and dated the date of the Closing, stating that the Underwriter may rely on the opinions of Bond Counsel described in paragraph (i) above as if such opinions were addressed to the Underwriter and to the following effect:

(A) the Purchase Agreement has been duly executed and delivered by the Agency and (assuming due authorization, execution and delivery by and validity against the Underwriter) constitutes the valid and binding agreement of the Agency, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights and by the application of equitable principles;

(B) the statements contained in the Official Statement under the captions "THE BONDS," "SECURITY FOR THE BONDS," "TAX MATTERS," and in Appendices A and B insofar as such statements expressly summarize certain provisions of the Indenture or the opinion of Bond Counsel, are accurate in all material respects;

(C) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the

Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and

(D) the Agency has taken all actions required to defease the payments due under the Prior Bonds and the Prior Bonds are no longer outstanding under and within the meaning of the respective documents authorizing the issuance thereof.

(iii) Financial Advisor Certificate. A certificate, dated the date of Closing, signed by a duly authorized official of NHA Advisors LLC, the Agency's Financial Advisor (the "Financial Advisor") addressed to the Underwriter and the Agency to the effect, that, in connection with its participation in the preparation of the Official Statement and without undertaking any independent investigation and without having undertaken to determine independently the fairness, accuracy or completeness of the statements contained in the Official Statement, nothing has come to the attention of the Financial Advisor that would lead it to believe that the statements and information contained in the Official Statement as of the date thereof and the date of the Closing, contains an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading.

(iv) Fiscal Consultant's Certificate. A certificate of Fraser & Associates (the "Fiscal Consultant"), dated the date of the Closing, addressed to the Agency and the Underwriter, in form and substance acceptable to the Underwriter, (i) certifying as to the accuracy of (A) the information contained in APPENDIX H—"FISCAL CONSULTANT REPORT," and the information in the Official Statement under the captions "SECURITY FOR THE BONDS—Tax Sharing Agreement," "—Section 33676 Payments" and "—Statutory Pass-Through Payments" and "THE PROJECT AREA," (ii) consenting to the inclusion of such firm's Fiscal Consultant's Report in the Preliminary Official Statement and the Official Statement, and (iii) stating that, to the best of such firm's knowledge, but without having conducted any investigation with respect thereto, nothing has come to such firm's attention between the date of such report and the date hereof which would materially alter any of the conclusions set forth in such report.

(v) Agency Counsel Opinion. An opinion of Counsel to the Agency, dated the date of the Closing and addressed to the Underwriter, in form and substance acceptable to the Underwriter to the following effect:

(A) the Agency is a public body, corporate and politic, duly organized and existing under the Constitution and laws of the State, with full right, power and authority to execute, deliver and perform its obligations under the Agency Legal Documents;

(B) the Agency Resolution and the Agency OS Resolution were duly adopted at meetings of the Agency, called

and held pursuant to law, with all public notice required by law and at which quorums were present and acting throughout; and the Agency Resolution and the Agency OS Resolution are in full force and effect and have not been modified amended or rescinded since their respective adoption date; and

(C) The execution and delivery of the Agency Legal Documents and the Official Statement and compliance with the provisions of the Agency Legal Documents, under the circumstances contemplated thereby, (1) do not and will not in any material respect conflict with or constitute on the part of the Agency a breach of or default under any agreement or other instrument to which the Agency is a party or by which it is bound, and (2) do not and will not in any material respect constitute on the part of the Agency a violation, breach of or default under any existing law, regulation, court order or consent decree to which the Agency is subject;

(D) to the best of such counsel's knowledge, except as otherwise disclosed in the Official Statement, there is no litigation or proceeding, pending and served, or threatened, challenging the creation, organization or existence of the Agency, or the validity of the Bonds or the Agency Legal Documents or seeking to restrain or enjoin any of the transactions referred to therein or contemplated thereby, or under which a determination adverse to the Agency would have a material adverse effect upon the financial condition or the revenues of the Agency, or which, in any manner, questions the right of the Agency to issue, sell and deliver the Bonds, to enter into the Indenture or to use the Tax Revenues for repayment of the Bonds or affects in any manner the right or ability of the Agency to collect or pledge the Tax Revenues.

(vi) Agency Certificate. A certificate of the Agency, dated the date of the Closing, signed on behalf of the Agency by a duly authorized officer of the Agency, to the effect that:

(A) the representations and warranties of the Agency contained herein are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing;

(B) no event affecting the Agency has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and

(C) the Agency is not, in any material respect, in breach of or default under any applicable law or administrative

regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Agency is a party or is otherwise subject, which would have a material adverse impact on the Agency's ability to perform its obligations under the Agency Legal Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument.

(vii) Trustee's Certificate. A Certificate of the Trustee, dated the date of Closing, to the effect that:

(A) the Trustee is a national banking association duly organized and validly existing under the laws of the United States of America;

(B) the Trustee has full power, authority and legal right to comply with the terms of the Indenture and to perform its obligations stated therein; and

(C) the Indenture has been duly authorized, executed and delivered by the Trustee and (assuming due authorization, execution and delivery by the Agency) constitutes legal, valid and binding obligations of the Trustee in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally.

(viii) Escrow Agent's Certificate. A Certificate of the Escrow Agent, dated the date of Closing, to the effect that:

(A) the Escrow Agent is a national banking association duly organized and validly existing under the laws of the United States of America;

(B) the Escrow Agent has full power, authority and legal right to comply with the terms of the Escrow Agreement and to perform its obligations stated therein; and

(C) the Escrow Agreement has been duly authorized, executed and delivered by the Escrow Agent and (assuming due authorization, execution and delivery by the Agency) constitutes legal, valid and binding obligations of the Trustee in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally.

(ix) Legal Documents. Executed copies of this Purchase Agreement and the other Agency Legal Documents.

(x) Rating Letter. A letter from Standard & Poor's Credit Ratings Services ("S&P") to the effect that the Bonds have been assigned an insured rating of "___" and an underlying rating of "___", which ratings shall be in effect as of the Closing Date.

(xi) Disclosure Letter. A letter of Jones Hall, A Professional Law Corporation ("Disclosure Counsel"), dated the date of the Closing, addressed to the Underwriter, to the effect that, based upon its participation in the preparation of the Official Statement and without having undertaken to determine independently the fairness, accuracy or completeness of the statements contained in the Official Statement, such counsel has no reason to believe that, as of the date of the Closing, the Official Statement (excluding therefrom the reports, financial and statistical data and forecasts therein and the information included in the Appendices thereto and information relating to DTC, as to which no advice need be expressed) contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xii) Agency Resolutions. A copy of the Agency Resolution and the Agency OS Resolution, together with a certificate of the Secretary of the Agency to the effect that the Agency Resolution and the Agency OS Resolution were validly adopted, remain in full force and effect, and have not been amended, rescinded or otherwise modified since their respective dates of adoption.

(xiii) Oversight Board Resolution. A copy of the Oversight Board Resolution.

(xiv) Oversight Board Certificate. A certificate of the Clerk of the Oversight Board to the effect that the Oversight Board Resolution was validly adopted, remains in full force and effect, and has not been amended, rescinded or otherwise modified since its date of adoption.

(xv) Verification Report. A report, dated the date of the Closing, of _____, independent certified public accountants (the "Verification Agent"), to the effect that it has verified the accuracy of the mathematical computations of the adequacy of the deposits in the escrow fund for the Prior Bonds for the full and timely payment of all principal (including premium, if any) and interest due with respect to the portion of the Agency obligations to be defeased with the funds held pursuant to the Escrow Agreement, as are then outstanding on the dates specified in the Official Statement at the then applicable redemption price.

(xvi) Reserve Insurance Policy. The executed Reserve Insurance Policy issued by the Insurer.

(xvii) Insurer Counsel Opinion. An opinion of counsel to the Insurer, dated as of the date of Closing, addressed to the Underwriter and the Agency in form and substance acceptable to the Underwriter,

substantially to the effect that: (i) the Insurer has been duly incorporated and is validly existing and in good standing under the laws of the State of its incorporation; (ii) the Reserve Insurance Policy constitutes the legal, valid and binding obligation of the Insurer enforceable in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization, rehabilitation and other similar laws of general applicability relating to or affecting creditors' and/or claimants' rights against insurance companies and to general equity principles; and (iii) the information contained in the Official Statement under the caption "THE INSURER" does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(xviii) Additional Documents. Such additional certificates, instruments and other documents as Bond Counsel, the Agency or the Underwriter may reasonably deem necessary.

All the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter.

If the Agency or the Trustee shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Agreement, if the Agency shall determine in good faith (and provide written notice to the Underwriter) that legislation has been introduced or proposals made by the Governor of the State which if enacted and effective would impose additional limitations or burdens on the Agency or the County by reason of the issuance of the Bonds or which purport to prohibit the issuance of the Bonds, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and the Underwriter shall be under no further obligation hereunder.

9. Termination. The Underwriter shall have the right to terminate this Purchase Agreement, without liability therefor, by notification to the Agency if at any time between the date hereof and prior to the Closing:

(a) any event shall occur which causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading; or

(b) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of this Purchase Agreement in the Congress of the United States, or the recommendation to Congress or endorsement for

passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any Federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State authority materially adversely affecting the federal or State tax status of the Agency, or the interest on bonds or notes or obligations of the general character of the Bonds; or

(c) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State, or a decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Bonds; or

(d) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Indenture needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(e) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which restrictions materially adversely affect the Underwriter's ability to trade the Bonds; or

(f) a general banking moratorium shall have been established by federal or State authorities; or

(g) the United States has become engaged in hostilities which have resulted in a declaration of war or a national emergency or there has occurred any other outbreak of hostilities or a national or international calamity or crisis, or there has occurred any escalation of existing hostilities, calamity or crisis, financial or otherwise, the effect of which on the financial markets of the United

States being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Bonds; or

(h) any rating of the Bonds shall have been downgraded, suspended or withdrawn by a national rating service, which, in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Bonds; or

(i) the commencement of any action, suit or proceeding described in Section 5(g) hereof which, in the judgment of the Underwriter, materially adversely affects the market price of the Bonds; or

(j) there shall be in force a general suspension of trading on the New York Stock Exchange.

10. Expenses. The Agency will pay or cause to be paid the approved expenses incident to the performance of its obligations hereunder and certain expenses relating to the sale of the Bonds, including, but not limited to, (a) the cost of the preparation and printing or other reproduction of the Agency Legal Documents (other than this Purchase Agreement); (b) the fees and disbursements of Bond Counsel, Disclosure Counsel, the Financial Advisor, Fiscal Consultant and any other experts or other consultants retained by the Agency; (c) the costs and fees of the credit rating agencies; (d) the cost of preparing and delivering the definitive Bonds; (e) the cost of providing immediately available funds on the Closing Date; (f) the cost of the printing or other reproduction of the Preliminary Official Statement and Official Statement and any amendment or supplement thereto, including a reasonable number of certified or conformed copies thereof; (g) the Underwriter's out-of-pocket expenses incurred with the financing; (h) the fees of Digital Assurance Certification for a continuing disclosure undertaking compliance review; and (i) expenses (included in the expense component of the spread) incurred on behalf of the County's or the Agency's employees which are incidental to implementing this Purchase Agreement. The Underwriter will pay the expenses of the preparation of this Purchase Agreement and all other expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds, and the fee and disbursements of Underwriter's Counsel. The Underwriter is required to pay the fees of the California Debt and Investment Advisory Commission in connection with the offering of the Bonds. The Agency acknowledges that it has had an opportunity, in consultation with such advisors as it may deem appropriate, if any, to evaluate and consider such fees. Notwithstanding that such fees are solely the legal obligation of the Underwriter, the Agency agrees to reimburse the Underwriter for such fees.

The Underwriter shall pay, and the Agency shall be under no obligation to pay, all expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds.

11. Notices. Any notice or other communication to be given to the Agency under this Purchase Agreement may be given by delivering the same in writing at the Agency's address set forth above; Attention: Executive Director, and to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to _____, Attention: _____.

12. Parties in Interest. This Purchase Agreement is made solely for the benefit of the Agency and the Underwriter and no other person shall acquire or have any right hereunder or by virtue hereof. All of the representations, warranties and agreements of the Agency contained in this Purchase Agreement shall remain operative and in full force and effect, regardless of: (i) any investigations made by or on behalf of the Underwriter; (ii) delivery of and payment for the Bonds pursuant to this Purchase Agreement; and (iii) any termination of this Purchase Agreement.

13. Effectiveness and Counterpart Signatures. This Purchase Agreement shall become effective upon the execution of the acceptance by an authorized officer of the Agency and shall be valid and enforceable at the time of such acceptance and approval. This Purchase Agreement may be executed by the parties hereto by facsimile transmission and in separate counterparts, each of which when so executed and delivered (including delivery by facsimile transmission) shall be an original, but all such counterparts shall together constitute but one and the same instrument.

14. Headings. The headings of the sections of this Purchase Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

15. Governing Law. This Purchase Agreement shall be construed in accordance with the laws of the State of California.

Very truly yours,

_____, as
Underwriter

By: _____
Its: Authorized Officer

Accepted:

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
CITY OF YUBA CITY**

By: _____
Executive Director

EXHIBIT A

Bond Maturity Schedule

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Coupon</u>	<u>Yield</u>	<u>Price</u>
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* Term Bond.

Redemption Provisions:

EXHIBIT B

RULE 15c2-12 CERTIFICATE

The undersigned hereby certifies and represents to _____ (the "Underwriter") that [he/she] is a duly appointed and acting officer of the Successor Agency to the Redevelopment Agency of the City of Yuba City authorized to execute this Certificate, and as such is to execute and deliver this Certificate and further hereby certify and reconfirm on behalf of the Agency to the Underwriter as follows:

(1) This Certificate is delivered to enable the Underwriter to comply with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") in connection with the offering and sale of the Yuba City Redevelopment Project, 2015 Tax Allocation Refunding Bonds (the "Bonds").

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, dated as of November __, 2015, setting forth information concerning the Bonds and the Agency, as issuer of the Bonds (the "Preliminary Official Statement").

(3) As used herein, "Permitted Omissions" shall mean the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters and the identity of the underwriter(s), all with respect to the Bonds.

(4) The Preliminary Official Statement is, except for the Permitted Omissions, deemed final within the meaning of the Rule and has been, and the information therein is accurate and complete in all material respects except for the Permitted Omissions.

(5) If, at any time prior to the execution of the final contract of purchase, any event occurs as a result of which the Preliminary Official Statement might include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Agency shall promptly notify the Underwriter thereof.

IN WITNESS WHEREOF, I have hereunto set my hand as of the ___ day of November, 2015.

SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF
YUBA CITY

By _____
Authorized Officer

CITY OF YUBA CITY
STAFF REPORT

Date: September 1, 2015
To: Honorable Mayor & Members of the City Council
From: Human Resources Department
Presentation By: Natalie Walter, Human Resources Director

Summary

Subject: Amendments to current employee Memoranda and Letters of Understanding providing for extension of terms and increases to employee compensation.

Recommendation: Adopt a Resolution approving the contract amendments providing for the extension of 2014 contracts until June 30, 2017 in exchange for a 2% salary increase and a \$,1500 non-PERSable stipend for Fire Management, First Level Managers, Mid-Managers, Police Officers' Association, and Police Sergeants along with unrepresented Confidential Employees and Executive Team in addition to approving a \$1,000 non-PERSable stipend for 2014 contracts with Mid-Managers and unrepresented Confidential Employees.

Fiscal Impact: The total increase in expenditures for FY 15-16 is \$548,300, with the one-time stipend payments costing \$216,200 and the on-going 2% flat rate salary increase costing \$332,100. The impact to the general fund is \$496,100 and other funds (water, wastewater and fleet) are \$52,200.

Purpose:

To extend current 2014 employee contracts, making certain amendments, to June 30, 2017.

Background:

In 2014, the City negotiated contracts with the Police Officers' Association, Police Sergeants, First Level Managers, Mid-Managers, and Fire Management. As part of these agreements, the employees agreed to pay towards their retirement, the furlough programs were dissolved, and all bargaining units are now paying 20% of the total health care premium cost. The contracts expire in June 30, 2016.

Finance projected additional revenues as part of the budget adoption process in June 2015. The City received confirmation of these additional revenues recently. In addition, over the last year there have been significant employee vacancies resulting in salary savings.

Analysis:

The Police Officers' Association, Police Sergeants, First Level Managers, Mid-Mangers, and Fire Management (referred to as "contracted bargaining units" in this Staff Report and in the Resolution) negotiated with the City resulting in new bargaining unit contracts. By the time many of these contracts were approved it was already in late 2014 and early 2015. With these

late approval dates, the contracts are only in effect for a year and half. City staff desires extending agreements with these bargaining units as negotiating takes significant staff time as well as the contracts have not been in effect for a significant period of time. Yuba City has slowly started to feel the effects of a better economy, which has resulted in additional revenue. Turnover in positions has increased as employees are in a position to retire or seek other opportunities with outside agencies. Since it has been over 6 years since employees have seen a general salary increase, it is more than appropriate that such an adjustment occur. The last form of general salary increase occurred in Fiscal Year 2008/2009.

City staff met with representatives from the contracted bargaining units and proposed extension of the contracts by one year until June 30, 2017 in exchange for 2% flat rate salary increase and \$1500 non-PERSable stipend effective with the full pay period following ratification by City Council. If the bargaining units decided not to extend the contract in exchange for the monetary items, the City was agreeable to meeting the groups in the Spring to begin full contract negotiations. All contracted bargaining units agreed to extend their contract until June 30, 2017.

In 2014, unlike the other contracted bargaining units, the Mid-Managers did not receive the one-time non-PERSable stipend upon the ratification of their contract in 2014. In recognition of this disparity, as set forth below, the Mid-Managers' amendment includes a one-time, non-PERSable stipend of \$2,500 (the sum of \$1,000 [the amount received by all other contracted unit employees in 2014] and \$1500 now.). The unrepresented Confidential Employees receive the negotiated benefits of the Mid-Managers per Resolution No. 14-029.

While Executive staff did not receive the 2014 \$1000 stipend, it is proposed that they only receive the 2% salary increase and one-time non-PERSable \$1500. The City Manager's contract is not subject to the proposed amendments.

Staff is recommending that the City Council approve the bargaining unit amendments as submitted.

Fiscal Impact:

The total increase in expenditures for FY 15-16 is \$548,300, with the one-time stipend payments costing \$216,200 and the on-going 2% flat rate salary increase costing \$332,100. The impact to the general fund is \$496,100 and other funds (water, wastewater and fleet) are \$52,200.

Alternatives:

Do not approve contract amendments and provide staff direction.

Recommendation:

Adopt a Resolution approving the contract amendments providing for the extension of 2014 contracts until June 30, 2017 in exchange for a 2% salary increase and a \$1500 non-PERSable stipend for Fire Management, First Level Managers, Mid-Managers, Police Officers' Association, and Police Sergeants along with unrepresented Confidentials and Executive Team in addition to approving a \$1000 non-PERSable stipend for 2014 contracts with Mid-Managers and unrepresented Confidentials.

Prepared By:

Natalie Walter

Natalie Walter
Human Resources Director

Submitted By:

Steven C. Kroeger

Steven C. Kroeger
City Manager

Reviewed By:

Human Resources

NW

Finance

RB

City Attorney

TH (via e-mail)

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF YUBA CITY
APPROVING THE AMENDMENTS TO CURRENT
MEMORANDA AND LETTERS OF UNDERSTANDING**

BE IT RESOLVED AND ORDERED BY THE CITY COUNCIL OF THE CITY OF YUBA CITY AS FOLLOWS:

WHEREAS, City staff and contracted bargaining units have agreed to contract amendments;

WHEREAS, the First Level Managers, Mid-Managers, Police Officers' Association, Police Sergeants, and Fire Management bargaining units along with unrepresented Confidential Employees have agreed to a 2% salary increase and \$1500 nonPERSable stipend effective the first full pay period following City Council ratification in exchange for a one year contract extension.

WHEREAS, the Executive Team's contracts, excluding the City Manager, will include a 2% salary increase and \$1500 nonPERSable stipend;

WHEREAS, the City's intention is to provide all bargaining units that negotiated a bargaining unit contract in 2014 to receive a \$1000 nonPERSable stipend;

WHEREAS, the First Level Managers, Police Officers' Association, Police Sergeants, and Fire Management received a nonPERSable stipend for \$1000 in 2014 as part of their negotiated contract;

WHEREAS, the Mid-Managers and unrepresented Confidential Employees did not receive the 2014 nonPERSable stipend and therefore will receive it now with this contract amendment;

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

Approve the attached labor contract amendments which implement the contract extension in exchange for monetary items.

The Finance Director is hereby authorized to make necessary budget adjustments to implement the provisions of this Resolution.

I HEREBY CERTIFY that the foregoing resolution was introduced and adopted at a regular meeting of the City Council of the City of Yuba City, held on the 1st day of September 2015, by the following vote:

Ayes:

Noes:

Absent:

John Dukes, Mayor

Attest:

Terrel Locke, City Clerk

**AMENDMENT TO THE
LETTER OF UNDERSTANDING**

Between

The City of Yuba City

And

Fire Management

September 1, 2015 through June 30, 2017

The City of Yuba City and Fire Management have previously met and conferred and agreed upon an amendment to the current Letter of Understanding (LOU) for the period from June 28, 2014 through June 30, 2016.

Both parties have agreed to the following:

1. Flat Rate Salary Increase

Effective the first full pay period following Fire Management ratification and City Council approval, the City agrees to implement a 2% salary increase for all classifications in this unit. This salary increase shall be implemented prospectively from the latest date of ratification or City Council approval.

2. One Time Non-PERSable Stipend

In the first full pay period following City Council ratification of this Agreement, all members active on payroll on the day of City Council ratification shall receive a one-time, non-PERSable stipend of \$1,500 and shall be in a separate check from the regularly reoccurring payroll check.

This one-time stipend is not intended to be, and does not meet the definition of, special compensation outlined in the California Code of Regulations § 571(a) and therefore is not reportable compensation to CalPERS. It is, however, subject to applicable payroll taxes and withholdings.

3. LOU Term Extension

The LOU contract period shall be extended until June 30, 2017.

4. Remainder of Contract Not Affected.

All other provisions of the current LOU between the City and Fire Management shall remain unchanged for the remainder of the contract period.

Date: _____

Date: 8.19.15

CITY OF YUBA CITY

FIRE MANAGEMENT

Steven C. Kroeger, City Manager

Jim Mathews, FM

Robin Bertagna, Director of Finance

Eric Parker, FM

Natalie Springer, Director of Human Resources

**AMENDMENT TO THE
LETTER OF UNDERSTANDING**

Between

The City of Yuba City

And

First Level Managers

September 1, 2015 through June 30, 2017

The City of Yuba City and the First Level Managers have previously met and conferred and agreed upon an amendment to the current Letter of Understanding (LOU) for the period from July 1, 2014 through June 30, 2016.

Both parties have agreed to the following:

1. Flat Rate Salary Increase

Effective the first full pay period following First Level Manager ratification and City Council approval, the City agrees to implement a 2% salary increase for all classifications in this unit. This salary increase shall be implemented prospectively from the latest date of ratification or City Council approval.

2. One Time Non-PERSable Stipend

In the first full pay period following City Council ratification of this Agreement, all members active on payroll on the day of City Council ratification shall receive a one-time, non-PERSable stipend of \$1,500 and shall be in a separate check from the regularly reoccurring payroll check.

This one-time stipend is not intended to be, and does not meet the definition of, special compensation outlined in the California Code of Regulations § 571(a) and therefore is not reportable compensation to CalPERS. It is, however, subject to applicable payroll taxes and withholdings.

3. LOU Term Extension

The LOU contract period shall be extended until June 30, 2017.

4. Remainder of Contract Not Affected.

All other provisions of the current LOU between the City and the First Level Managers shall remain unchanged for the remainder of the contract period.

Date: _____

Date: 8-19-15

CITY OF YUBA CITY

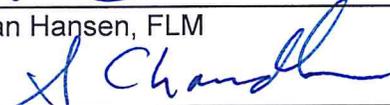
FIRST LEVEL MANAGERS

Steven C. Kroeger, City Manager



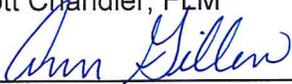
Brian Hansen, FLM

Robin Bertagna, Director of Finance



Scott Chandler, FLM

Natalie Springer, Director of Human Resources



Ann Gillen, FLM

**AMENDMENT TO THE
LETTER OF UNDERSTANDING**

Between

The City of Yuba City

And

Mid-Managers

September 1, 2015 through June 30, 2017

The City of Yuba City and the Mid-Managers have previously met and conferred and agreed upon an amendment to the current Letter of Understanding (LOU) for the period from July 15, 2014 through June 30, 2016.

Unlike the other City bargaining units that have a contract, the Mid-Managers did not receive any one-time non-PERSable stipend upon the ratification of their contract in 2014. In recognition of this disparity, as set forth below, the Mid-Managers shall receive a one-time, non-PERSable stipend of \$2,500 (the sum of \$1,000 [the amount received by all other contracted unit employees in 2014] and \$1500 now.) Based on this history and current negotiations, both parties have agreed to the following:

1. Salary Increase

Effective the first full pay period following Mid-Manager ratification and City Council approval, the City agrees to implement a 2% salary increase for all classifications in this unit. This salary increase shall be implemented prospectively from the latest date of unit ratification or City Council approval.

2. One Time Non-PERSable Stipend

A one-time, non-PERSable stipend of \$2,500 shall be distributed to all unit members active on payroll on the date of City Council ratification of this Amendment. Payment shall be made by separate check (not in regularly recurring payroll) during in the first full pay period following City Council ratification of this agreement.

This one-time stipend is not intended to be, and does not meet the definition of, special compensation outlined in the California Code of Regulations § 571(a) and therefore is not reportable compensation to CalPERS. It is, however, subject to applicable payroll taxes and withholdings.

3. LOU Term Extension

The LOU contract period shall be extended until June 30, 2017.

4. Remainder of Contract Not Affected.

All other provisions of the current LOU between the City and the Mid-Managers shall remain unchanged for the remainder of the contract period.

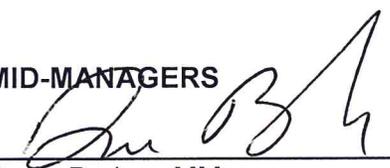
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Date: _____

CITY OF YUBA CITY

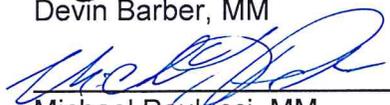
MID-MANAGERS

Steven C. Kroeger, City Manager



Devin Barber, MM

Robin Bertagna, Director of Finance



Michael Paulucci, MM

Natalie Springer, Director of Human Resources

**AMENDMENT TO THE
MEMORANDUM OF UNDERSTANDING**

Between

The City of Yuba City

And

Police Officers' Association

September 1, 2015 through June 30, 2017

The City of Yuba City and the Police Officers' Association have previously met and conferred and agreed upon an amendment to the current Memorandum of Understanding (MOU) for the period from September 16, 2014 through June 30, 2016.

Both parties have agreed to the following:

1. Flat Rate Salary Increase

Effective the first full pay period following the Police Officers' Association ratification and City Council approval, the City agrees to implement a 2% salary increase for all classifications in this unit. This salary increase shall be implemented prospectively from the latest date of ratification or City Council approval.

2. One Time Non-PERSable Stipend

In the first full pay period following City Council ratification of this Agreement, all members active on payroll on the day of City Council ratification shall receive a one-time, non-PERSable stipend of \$1,500 and shall be in a separate check from the regularly reoccurring payroll check.

This one-time stipend is not intended to be, and does not meet the definition of, special compensation outlined in the California Code of Regulations § 571(a) and therefore is not reportable compensation to CalPERS. It is, however, subject to applicable payroll taxes and withholdings.

3. MOU Term Extension

The MOU contract period shall be extended until June 30, 2017.

4. Remainder of Contract Not Affected.

All other provisions of the current MOU between the City and the Police Officers' Association shall remain unchanged for the remainder of the contract period.

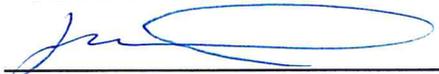
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CITY OF YUBA CITY

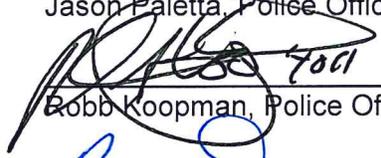
POLICE OFFICERS' ASSOCIATION

Steven C. Kroeger, City Manager



Jason Paletta, Police Officers' Association

Robin Bertagna, Director of Finance



Robb Koopman, Police Officers' Association

Natalie Springer, Director of Human Resources



Bob Jarvis, Chief Negotiator

**AMENDMENT TO THE
LETTER OF UNDERSTANDING**

Between

The City of Yuba City

And

Police Sergeants

September 1, 2015 through June 30, 2017

The City of Yuba City and the Police Sergeants have previously met and conferred and agreed upon an amendment to the current Letter of Understanding (LOU) for the period from September 16, 2014 through June 30, 2016.

Both parties have agreed to the following:

1. Flat Rate Salary Increase

Effective the first full pay period following the Police Sergeant ratification and City Council approval, the City agrees to implement a 2% salary increase for all classifications in this unit. This salary increase shall be implemented prospectively from the latest date of ratification or City Council approval.

2. One Time Non-PERSable Stipend

In the first full pay period following City Council ratification of this Agreement, all members active on payroll on the day of City Council ratification shall receive a one-time, non-PERSable stipend of \$1,500 and shall be in a separate check from the regularly reoccurring payroll check.

This one-time stipend is not intended to be, and does not meet the definition of, special compensation outlined in the California Code of Regulations § 571(a) and therefore is not reportable compensation to CalPERS. It is, however, subject to applicable payroll taxes and withholdings.

3. LOU Term Extension

The LOU contract period shall be extended until June 30, 2017.

4. Remainder of Contract Not Affected.

All other provisions of the current LOU between the City and the Police Sergeants shall remain unchanged for the remainder of the contract period.

Date: _____

Date: 8/25/15

CITY OF YUBA CITY

POLICE SERGEANTS

Steven C. Kroeger, City Manager

BAB

Brian Baker, Police Sergeants

Robin Bertagna, Director of Finance

[Signature]

Brian Bernardis, Police Sergeants

Natalie Springer, Director of Human Resources

[Signature]

Bob Jarvis, Chief Negotiator

CITY OF YUBA CITY
STAFF REPORT

Date: September 1, 2015
To: Honorable Mayor & Members of the City Council
From: Administration
Presentation By: Terrel Locke, Assistant to the City Manager

Summary

Subject: Amendment to the Transportation Allowance for City Councilmembers

Recommendation: A) Adopt a Resolution Amending the Transportation Allowance for City Councilmembers from \$375 per month to \$550 per month
B) Authorize the Finance Director to make the necessary supplemental appropriation from unallocated funds

Fiscal Impact: \$10,500 in additional annual costs to Budget Account 1110-61219 – City Council Auto Allowance

Purpose:

To appropriately compensate members of the City Council for costs of travel when working on the City's business.

Background:

In December 2007, Council adopted Resolution No. 07-127 which reinstated an auto allowance for City Councilmembers. The transportation allowance amount was based upon cost of driving calculations published annually by the American Automobile Association ("AAA") which includes actual costs of maintaining and operating a vehicle, such as: full-coverage insurance, license, registration, taxes, depreciation and finance charges.

City Councilmembers are expected and required to perform official duties that include: communicating with representatives of regional, state and national government on City-adopted policy positions and/or other matters of community concern; participating in regional, state and national organizations whose activities effect the City's interests; attending events that affect the City's interests; promoting or implementing a strategy for attracting or retaining businesses and other development to the City; and the performance of such other official duties that affect the City's interests.

There is a fixed cost to provide a personal vehicle and City Officials should be reimbursed in an amount that endeavors to reimburse in an amount that the City Council deems reasonable.

Analysis:

The cost of operating a car, including fuel and maintenance has gone up substantially since 2007 when the last transportation allowance calculation was done. For example, the IRS mileage reimbursement rate was 50.8¢ per mile in 2007 and is 57.5¢ per mile in 2015.

Per the American Automobile Association (“AAA”) publication titled “Your Driving Costs” 2015 Edition, the average ownership costs for an average car is \$6,729 for a small sedan based upon 15,000 miles per year to cover the fixed and variable costs associated with owning and operating a car in 2015.

The transportation allowance is in lieu of mileage reimbursement for all local travel within a 50-mile radius of City Hall, which is consistent with the City of Yuba City Travel Policy that states that travel is considered local if it is within a 50-mile radius. Mileage reimbursement would be claimable for travel in excess of 50 miles from City Hall.

Based upon 15,000 miles driven annually	2007* Average	2007 Adopted	2015* Average	2015 Proposed
Total Cost per Year	\$ 5,648.00	\$ 4,500.00	\$ 6,729.00	\$ 6,600.00
Total Cost per Month	\$ 470.67	\$ 375.00	\$ 560.75	\$ 550.00

* Based upon AAA “Your Driving Costs” Publication

Fiscal Impact:

Increase of \$10,500 annually in Budget Account 1110-61219 – City Council Auto Allowance. Total Auto Allowance will be \$33,000 per year.

Alternatives:

- 1) Adopt with an alternate amount.
- 2) Do not adopt. If this option is chosen, Council members will continue to receive the current auto allowance of \$375 per month as adopted in 2008.

Recommendation:

- A) Adopt a Resolution Amending the Transportation Allowance for City Councilmembers from \$375 per month to \$550 per month
- B) Authorize the Finance Director to make the necessary supplemental appropriations from unallocated funds

Attachments:

- AAA NewsRoom – Annual Cost to Own and Operate a Vehicle

Prepared By:

Submitted By:

Terrel Locke
 Terrel Locke
 Assistant to the City Manager

Steven C. Kroeger
 Steven C. Kroeger
 City Manager

Reviewed By:

Finance

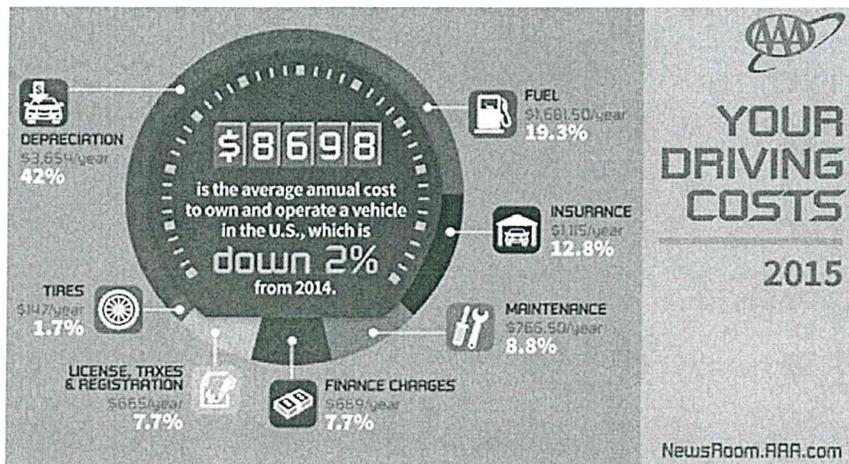
RB

City Attorney

IH

AAA NewsRoom

AAA NewsRoom



Annual Cost to Own and Operate a Vehicle Falls to \$8,698, Finds AAA

Like 227 g+ 29 Tweet 51 Share

115

FOR MORE INFORMATION:



Erin Stepp
 Manager,
 AAA Public Relations
 (407) 444-8013

estep@national.aaa.com

Lower Gas Prices Help Fuel 2 Percent Decline From 2014

ORLANDO, Fla. (April 28, 2015) – Due to declines in gas prices and finance charges, the annual cost to own and operate a vehicle has fallen to \$8,698, a nearly 2 percent drop from last year, according to AAA's 2015 *Your Driving Costs* study. This research examines the cost of fuel, maintenance, tires, insurance, license and registration fees, taxes, depreciation and finance charges associated with driving a typical sedan 15,000 miles annually. In the United States, a driver can expect to spend 58 cents for each mile driven, nearly \$725 per month, to cover the fixed and variable costs associated with owning and operating a car in 2015.

Additional Resources

2015 Your Driving Costs

Infographics: Version 1, Version 2

"Fortunately, reduced gasoline and finance costs more than offset rising costs in other areas," said John Nielsen, AAA's Managing Director of Automotive Engineering and Repair. "As a result, car owners can look forward to saving approximately \$178 this year."

Based on 15,000 miles	Small Sedan	Medium Sedan	Large Sedan	Sedan Average	Minivan	SUV (4WD)
Annual Total Cost	\$6,729	\$8,716	\$10,649	\$8,698	\$9,372	\$10,624
Annual Cost Per Mile	\$0.449	\$0.581	\$0.710	\$0.580	\$0.625	\$0.708

Fuel: DOWN 13.77 percent to 11.2 cents per mile/\$1,681.50 per year (-\$268.50).

Compared to last year's study, the average cost of regular unleaded fuel fell nearly 13 percent to \$2.855 per gallon. This decline, coupled with improvements in vehicle fuel economy, resulted in an average 11.21 cents-per-mile fuel cost. Due in large part to this decrease, the cost of owning and operating a sport utility vehicle is slightly less than that of a large sedan this year.

Finance Charges: DOWN 21.02 percent to \$669 per year (-\$178).

With rising car sales and stiff competition among dealers, many manufacturers are offering low finance rates to attract buyers. In 2015, average vehicle finance rates dropped

21 percent, which equates to approximately \$15 per month on a typical five-year loan. However, rates vary widely with borrower credit scores.

Depreciation: UP 4.10 percent to \$3,654 per year (+144).

The single largest ownership expense, depreciation, rose for 2015 due to increasing new car sales that are causing an influx of used and off-lease vehicles entering the marketplace. This increased supply has resulted in lower values and selling prices for used vehicles, thus driving up depreciation costs.

Insurance: UP 8.99 percent to \$1,115 per year (+\$92)

Insurance rates vary widely by driver, driving habits, insurance company and geographical area. AAA's calculations are based on low-risk drivers with excellent driving records. While premium calculations are confidential, this modest increase of \$7.67 per month may be due in part to high-cost modern vehicle features such as infotainment systems, advanced safety features and lightweight materials that can be more expensive to repair and, therefore, insure.

Maintenance: UP .99 percent to 5.11 cents per mile/\$766.50 per year (+\$7.50)

Annual maintenance, including labor time and repair part costs associated with factory-recommended maintenance, was factored into the 2015 survey along with average costs of an extended warranty. Maintenance costs varied widely by vehicle type but, on average, were up slightly from 5.06 cents to 5.11 cents per mile. A recent survey of AAA-Approved Auto Repair shops found that the majority of drivers are behind schedule in routine maintenance, including oil changes, tire maintenance and battery inspection/testing.

License/Registration/Taxes: UP 3.74 percent to \$665 per year (+\$24)

Vehicle prices rose modestly in 2014, contributing to an overall increase in state and local tax costs. Additionally, some states increased fees related to vehicle purchasing, titling, registration and licensing.

Tires: UP 1.03 percent to .98 cents per mile/\$147 per year (+\$1.50)

Due to the competitive and dynamic nature of the tire market, tire costs in 2015 remain relatively unchanged, rising by just .01 cents per mile.

In addition to calculating the driving costs for sedans, AAA determined annual costs associated with both minivans and sport utility vehicles. Owners of these vehicles will benefit from annual driving costs nearly four percent lower this year, at \$9,372 and \$10,624 respectively, due to lower gas prices and finance rates.

"When shopping for a vehicle, smaller isn't always cheaper," cautioned Nielsen. "A minivan, for example, can carry up to 7 passengers, yet costs \$100 less to own and operate each month compared to a large sedan."

AAA has published *Your Driving Costs* since 1950. That year, driving a car 10,000 miles per year cost 9 cents per mile, and gasoline sold for 27 cents per gallon.

The *Your Driving Costs* study employs a proprietary AAA methodology to analyze the cost to own and operate a vehicle in the United States. Variable operating costs considered in the study include fuel, maintenance and repair, and tires. Fixed ownership costs factored into the results include insurance, license and registration fees, taxes, depreciation and finance charges. Ownership costs are calculated based on the purchase of a new vehicle that is driven over five years and 75,000 miles. Your actual operating costs may vary. See AAA's 2015 *Your Driving Costs* brochure for a list of vehicles and additional information on the underlying criteria used in the study.

As North America's largest motoring and leisure travel organization, AAA provides more than 55 million members with travel, insurance, financial and automotive-related services. Since its founding in 1902, the not-for-profit, fully tax-paying AAA has been a leader and advocate for the safety and security of all travelers. AAA clubs can be visited on the Internet at AAA.com.

Related Articles

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF YUBA CITY
AMENDING THE TRANSPORTATION ALLOWANCE FOR CITY COUNCILMEMBERS**

WHEREAS, the City Council adopted Resolution No. 07-127 adopting an Auto Allowance for City Councilmembers; and

WHEREAS, the City Council has not amended the Auto Allowance calculation since January 2008; and

WHEREAS, the City of Yuba City takes seriously its stewardship over the use of its limited public resources by its officials; and

WHEREAS, public resources should be used by such officials when there is a benefit to the City; and

WHEREAS, such benefits include, but are not limited to:

1. Communicating with representatives of regional, state and national government on City-adopted policy positions and/or other matters of community concern;
2. Attending educational seminars designed to improve officials' skill and information levels;
3. Participating in regional, state and national organizations whose activities effect the City's interests;
4. Promoting public service and morale by recognizing such service on the part of City employees, members of the community, and/or other individuals;
5. Attending events that affect the City's interests;
6. Promoting or implementing a strategy for attracting or retaining businesses and other development to the City; and
7. The performance of such other official duties that affect the City's interests.

WHEREAS, in order to carry-out responsibilities of their office City Councilmembers are required to provide their own personal means of transportation; and

WHEREAS, it is reasonable to use public resources to reimburse City Councilmembers for the actual & necessary expenses that they incur in providing personal transportation; and

WHEREAS, notwithstanding the specific amount of miles driven each month, there is a fixed cost to provide a personal vehicle and City Councilmembers should be reimbursed in an amount that endeavors to reimburse said fixed cost in an amount that the City Council deems reasonable; and

WHEREAS, this policy supplements the definition of actual and necessary expenses for purposes of state laws relating to permissible use of public resources; and

WHEREAS, this policy also supplements the definition of necessary and reasonable expenses for purposes of federal and state income tax laws.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF YUBA CITY DOES HEREBY RESOLVE, DETERMINE, AND FIND AS FOLLOWS:

1. The recitals set forth herein are true and correct.
2. Inasmuch as members of the City Council are expected to provide their own transportation on a regular basis for the performance of their official duties as described above, the following maximum fixed expense payments based upon the average cost to own and operate a vehicle are hereby authorized and allowed pursuant to California Government Code Section 1223 in lieu of per mile reimbursement for travel within 50 miles of the City of Yuba City. Mileage reimbursement can be claimed at the IRS mileage reimbursement rate for travel outside a 50-mile radius from City Hall.

Councilmembers' Fixed Monthly Transportation Allowance: \$550.00

3. This Resolution is effective immediately.

I HEREBY CERTIFY that the foregoing resolution was introduced and adopted at a regular meeting of the City Council of the City of Yuba City, held on the 1st day of September, 2015, by the following vote:

Ayes:

Noes:

Absent:

John Dukes, Mayor

Attest:

Terrel Locke, City Clerk

CITY OF YUBA CITY
STAFF REPORT

Date: September 1, 2015
To: Honorable Mayor & Members of the City Council
From: Administration
Presentation By: Terrel Locke, Assistant to the City Manager

Summary

Subject: Reinstatement of Deferred City Council Compensation
Recommendation: Adopt a Resolution Approving the Reinstatement of the Increase in Compensation of the Members of the City Council that has been deferred since November 2008 from \$500 to \$600 per month per Councilmember
Fiscal Impact: \$6,000 per year from Account 1110 – 61XXX City Council Salaries and Benefits

Purpose:

To reinstate compensation of City Councilmembers of \$100 per month that has been deferred since November 2008.

Background:

In January 2008, the City Council adopted Ordinance No. 001-08 amending Section 2-1.07 of the Municipal Code to increase the compensation of City Council members from \$500 per month to \$600 per month. This increase was to go into effect after the November 2008 General Municipal Election [Ordinance No. 001-08 attached].

Due to fiscal constraints, the City Council elected to not take the increase that was approved until such time as the employee compensation reductions were restored. The City Council contributed approximately \$40,000 in salary savings during the Economic Downturn.

Analysis:

Compensation of City Councilmembers is determined pursuant to the express statutory authority in Government Code §36516, based upon population (\$500/month for cities with a population of 50,000 – 75,000). Councilmembers are also eligible to receive increases of up to 5% a calendar year from the operative date of the last adjustment of the salary in effect when the ordinance was enacted. Prior to the adoption of Ordinance No. 001-08, the last salary adjustment for the City Council occurred in September 2004. The compensation rate was calculated from the \$500 per month base, plus the total of increases of 5 percent (5%) per year for each calendar year since 2004. The amount of increase was \$100 per month for a total compensation amount of \$600 per month per Councilmember.

Per Government Code §36516, Councilmembers are prohibited from adopting ordinances that provides for automatic future increases in salary. Adjustment in the compensation of Councilmembers are also prohibited during their term in office and would go into effect after the next Municipal Election (whenever one or more members of such council becomes eligible for a salary increase by virtue of his beginning a new term of office).

The City Council may direct Staff to bring forward a proposed Ordinance for Council consideration to adjust Councilmember compensation at 5% a year from the last increase in salary in 2008. If such an ordinance is adopted, the additional increase in compensation would go into effect after the next General Municipal Election in November 2016.

Fiscal Impact:

\$6,000 per year from Account 1110 – 61XXX City Council Salaries and Benefits.

Alternatives:

Do not approve reinstatement of the increase. If this option is chosen, the City Council will continue to receive compensation of \$500 per month.

Recommendation:

Adopt a Resolution Approving the Reinstatement of the Increase in Compensation of the Members of the City Council that has been deferred since November 2008 from \$500 to \$600 per month per Councilmember.

Prepared By:

Terrel Locke
Terrel Locke
Assistant to the City Manager

Submitted By:

Steven C. Kroeger
Steven C. Kroeger
City Manager

Reviewed By:

Finance

RB

City Attorney

TH (Via email)

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF YUBA CITY
APPROVING THE REINSTATEMENT OF THE DEFERRED INCREASE IN COUNCIL
MEMBER COMPENSATION**

WHEREAS, the City Council adopted Ordinance No. 001-08 amending Section 2-1.07 to increase the compensation of the members of the City Council from \$500 to \$600 per month to be effective after the General Municipal Election in November 2008; and

WHEREAS, in 2008 the City and Nation experienced an Economic Downturn later called the "Great Recession"; and

WHEREAS, as part of the Economic Downturn, City employees gave compensation concessions to assist the City in balancing the budget; and

WHEREAS, as part of the Economic Downturn, the City Council elected to join the City employees and defer their increase in compensation that was to be effective in November 2008 until such time as the City employees compensation concessions are restored; and

WHEREAS, as of the pay period ended July 24, 2015; City employee compensation is considered restored.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF YUBA CITY DOES HEREBY RESOLVE, DETERMINE, AND FIND AS FOLLOWS:

Effective immediately, the City Council member compensation will be reinstated to \$600 per month.

I HEREBY CERTIFY that the foregoing resolution was introduced and adopted at a regular meeting of the City Council of the City of Yuba City, held on the 1st day of September 2015, by the following vote:

Ayes:

Noes:

Absent:

John Dukes, Mayor

Attest:

Terrel Locke, City Clerk

ORDINANCE NO. 001-08

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF YUBA CITY AMENDING TITLE 2 CHAPTER 1 OF THE CITY OF YUBA CITY MUNICIPAL CODE BY THE AMENDMENT OF SECTION 2-1.07 TO INCREASE THE COMPENSATION OF THE MEMBERS OF THE CITY COUNCIL

WHEREAS, section 36516(c) of the California Government Code provides that the compensation of council members may be increased beyond the amount provided in section 36516(a) by an ordinance or by an amendment to an ordinance, but the amount of the increase may not exceed an amount equal to five percent (5%) for each calendar year from the operative date of the last adjustment of the salary in effect when the ordinance or amendment is enacted.

NOW, THEREFORE, the City Council of the City of Yuba City does hereby ordain as follows:

Section 1. Section 2-1.07 of the Yuba City Municipal Code is hereby amended to read as follows:

(a) Pursuant to the express provisions of Government Code section 36514.5, City Council members shall be reimbursed for actual and necessary expenses incurred in the performance of their official duties.

(b) The compensation of City Council members is determined pursuant to the express statutory authority in Government Code section 36516(a) in cities over 50,000 up to and including 75,000 in population. The compensation paid to members of the City Council shall be set at a salary of Five Hundred Dollars (\$500) per month, plus the sum of One Hundred Dollars (\$100) per month, which represents the total of increases of five percent (5%) a year for each calendar year from the operative date of the last adjustment of salary, for a total of Six Hundred Dollars (\$600) per month, payable at the same time in the same manner as salaries are paid to other officers and employees of the City.

(c) Any amount paid by the City to Council members for retirement, health and welfare benefits, shall not be included for purposes of determining the salary herein, provided the same benefits are available and paid by City for its employees.

Section 2. The compensation of Six Hundred Dollars (\$600) per month for each City Council member as provided in Section 2-1.07(b) shall commence when the newly elected City Council members begin their terms of office after the November 4, 2008 election.

Section 3. This ordinance shall be effective thirty (30) days after its adoption and after it is adopted, it shall be published as provided for by law.

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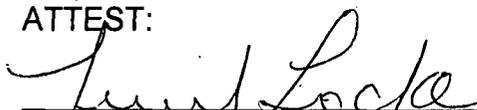
Introduced and read at a regular meeting of the City Council of the City of Yuba City on the 18th day of December, 2007, and adopted at a regular meeting thereof held on the 15th day of January, 2008.

AYES: Councilmembers McBride, Maan, Gill and Mayor Ramirez
NOES: None
ABSENT: Councilmember Miller



Rory Ramirez, Mayor

ATTEST:



Terrel Locke, City Clerk



APPROVED AS TO FORM:



Timothy P. Hayes, Esq.
City Attorney

CITY OF YUBA CITY
 BUSINESS FROM THE CITY COUNCIL

Date: September 1, 2015
To: Honorable Members of the City Council
From: City Council Screening Committee
Report By: John Dukes, Mayor

Summary

Subject: Appointment to City of Yuba City Parks & Recreation Commission
Recommendation: Approve the City Council Screening Committee Recommendation for Appointment to the Parks and Recreation Commission
Fiscal Impact: None.

Purpose:

To fill vacancies on the Yuba City Boards and Commissions.

Background:

Parks & Recreation Commissioner Donna Hannaford submitted her resignation to the Commission on July 26, 2015. Ms. Hannaford was appointed in December 2012 with her term ending in December 2016.

On Thursday, August 20th, the City Council Screening Committee, consisting of Mayor Dukes and Vice-Mayor Buckland, held interviews to appoint a commissioner to complete the term of Commissioner Hannaford.

The following appointment is being recommended:

Name	Term
Ericka Summers	09/01/15 – 12/31/16

Recommendation:

Approve the City Council Screening Committee Recommendation for Appointment

JD/tal

CITY OF YUBA CITY

City Council Reports

- Councilmember Cleveland
- Councilmember Didbal
- Councilmember Gill
- Vice Mayor Buckland
- Mayor Dukes

Adjournment