

CITY OF YUBA CITY
STAFF REPORT

Date: September 19, 2017
To: Honorable Mayor & Members of the City Council
From: Finance/IT Department
Presentation by: Robin Bertagna, CPA, Finance Director

Summary

Subject: Refunding the City's 2011 Wastewater Revenue Refunding Bonds

Recommendation: Adopt a Resolution Authorizing the Issuance and Sale of 2017 Wastewater Revenue Refunding Bonds in the Principal Amount of Not To Exceed \$9,150,000 to Provide Funds to Refinance Outstanding 2011 Wastewater Revenue Refunding Bonds and Approve Related Documents and Actions

Fiscal Impact: The City will recognize average annual savings of approximately \$112,000 per year from fiscal year 2017-18 through fiscal year 2031-32. This equates to over \$1.65 million of gross savings and approximately \$1.4 million net present value savings over the remaining life of the bond issue.

Purpose:

To refinance the 2011 Wastewater Revenue Refunding Bonds at a lower interest rate and achieve significant savings on annual debt service.

Background:

In November, 2011, the City issued its 2011 Wastewater Revenue Refunding Bonds in an aggregate original principal amount of \$9.715 million (the "2011 Bonds") pursuant to an Indenture of Trust to refinance installment payments in the original aggregate principal amount of \$11 million (the "2002 Installment Payments"), which 2002 Installment Payments were owed pursuant to an Installment Sale Agreement dated as of August 1, 2002. The 2011 Bonds were sold with an average interest rate of 4.03%, a final maturity of June 1, 2032 and a maximum annual debt service of approximately \$1,240,100. At present, \$8.665 million of the original 2011 Bonds are still outstanding. The current market conditions provide favorable interest rates for the evaluation of a possible refinancing of the 2011 Bonds.

Analysis:

Staff has worked with the City's bond counsel, Jones Hall, and municipal advisor, NHA Advisors, to evaluate various financing options. The most favorable option for refinancing the 2011 Bonds is through a private placement with a commercial bank. Working with Hilltop Securities as private placement agent, NHA Advisors and Hilltop Securities sent out a credit review package and bid form to 23 different commercial banks. Bids were received from 10

banks. JP Morgan Chase provided the lowest bid – a fixed interest rate of 2.03% through the final maturity of June 1, 2032.

The City already has an established relationship with JP Morgan Chase as they previously purchased the City's debt issuance for our Wastewater 2014 private placement refunding. Clearly they are comfortable with their relationship with the City of Yuba City and therefore provided the most competitive bid for this refunding. It should be noted that the lowest cost terms from them do not allow for any future pre-payment or refunding of this transaction; but at a fixed interest rate of 2.03%, City staff is comfortable that this is the lowest cost option available to the City and ratepayers.

The 2011 Bonds are callable on June 1, 2018. With Council approval at its meeting of September 19th, the City's finance team intends to close the refinancing transaction on October 17, 2017. On that date, the newly issued bond proceeds will be placed in an irrevocable escrow deposit and trust account with MUFG Union Bank sufficient to defease, pay and redeem the 2011 Bonds in full. This allows the City to issue the new bonds and close the transaction prior to the call date, and also allows the City adequate time to provide the necessary redemption notice.

JP Morgan Chase will not lock the quoted interest rate until after City Council authorizes and approves this refunding transaction through adoption of the attached resolution. **JP Morgan Chase will draft a new Term Sheet with updated Rates on September 19, 2017 and if approved and directed by Council, Staff will execute said Term Sheet.** Of the 10 bids received by the City, only one, from BB&T Government Finance, provided for an immediate rate lock through the October 17 closing date. However, the rate on the BB&T bid was 2.48%, 0.45% higher than the JP Morgan Chase bid. This results in cash flow savings over \$30,000 per year less than the JP Morgan Chase bid. Consequently, both the City's finance team and staff believe that the risk of a rate increase of 0.45% over the next two weeks is worth taking in order to get the extra savings.

Debt Issuance:

At this time, the Council will consider taking action to approve a resolution of the City Council of the City of Yuba City authorizing the issuance and sale of 2017 Wastewater Revenue Refunding Bonds ("2017 Refunding Bonds") in the maximum amount of \$9.15 million to refinance the outstanding 2011 Bonds and approve related agreements and actions. The bond resolution comprises not only authorization for staff to execute the revised and updated JP Morgan Chase Term Sheet, legal documents for the refinancing, but also contains provisions regarding the actual structure of the debt, the management of Wastewater Fund cash flows, and covenants regarding rates found in the Wastewater Fund's other debt obligations.

In addition, the resolution approves the form of an **Escrow Deposit and Trust Agreement**, which details how the refinancing will be accomplished. This agreement establishes an Escrow Fund to be held by MUFG Union Bank, which will hold the proceeds of the refinancing. Under the agreement, MUFG Union Bank agrees to apply the funds held by it thereunder to defease, pay and redeem the 2011 Bonds in full. The financing schedule calls for the 2017 Refunding Bonds to be issued on October 17, 2017 and for the 2011 Bonds maturing on or after June 1, 2019 to be redeemed on June 1, 2018.

These documents have been thoroughly reviewed by City staff, our financial advisor and bond counsel.

Fiscal Impact:

The City will recognize average annual savings of approximately \$112,000 per year from fiscal year 2017-18 through fiscal year 2031-32. This equates to over \$1.65 million of gross savings and approximately \$1.4 million net present value savings over the remaining life of the bond issue. It is important to note that maximum annual debt service for all the Wastewater Enterprise debt obligations will drop from \$2.48 million to \$2.3 million as a result of the refunding. Since the City has covenanted to raise wastewater rates as required based on combined annual debt service, the proposed refunding will reduce rate pressure in the future.

Alternatives:

Do not proceed with the refinancing. If this option is chosen, the City will continue to pay debt service on the existing 2011 Bonds and forego the interest savings.

Recommendation:

Staff recommends approval of the resolution authorizing the issuance and sale of the 2017 Wastewater Revenue Refunding Bonds.

Attachments:

- Resolution Authorizing the issuance and Sale of 2017 Wastewater Revenue Refunding Bonds
- Escrow Deposit and Trust Agreement
- Sources and Uses of Funds prepared by NHA Advisors related to refinancing of the 2011 Bonds.
- Updated Term Sheet (will be available on September 19, 2017)

Prepared By:

/s/ Robin Bertagna
Robin Bertagna, CPA
Finance Director

Reviewed By:

City Attorney

Submitted By:

/s/ Steven C. Kroeger
Steven C. Kroeger
City Manager

TH by email

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF YUBA CITY
AUTHORIZING THE ISSUANCE AND SALE OF 2017 WASTEWATER
REVENUE REFUNDING BONDS IN THE MAXIMUM AMOUNT OF
\$9,150,000 TO REFINANCE OUTSTANDING 2011 WASTEWATER
REVENUE REFUNDING BONDS, AND APPROVING RELATED
AGREEMENTS AND ACTIONS**

WHEREAS, the City owns and operates a public enterprise for the collection, treatment and disposal of wastewater within the service area of the City (the "Wastewater System"); and

WHEREAS, in order to refinance obligations previously issued to finance improvements to the Wastewater System, the City has entered into an Indenture of Trust dated as of November 1, 2011 (the "2011 Bond Indenture"), between the City and Union Bank, N.A. (currently known as MUFG Union Bank, N.A.), pursuant to which it issued its City of Yuba City 2011 Wastewater Revenue Refunding Bonds in an aggregate original principal amount of \$9,715,000 (the "2011 Bonds"), which 2011 Bonds are secured by a pledge of and lien on the net revenues from the Wastewater System; and

WHEREAS, the City is authorized under Section 2.03 of the 2011 Bond Indenture to redeem the 2011 Bonds maturing on or after June 1, 2019 in whole or in part on June 1, 2018, at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the date fixed for redemption, without premium; and

WHEREAS, the City has determined that it is in the best interests of the City to defease the 2011 Bonds in full, in accordance with Section 9.04 of the 2011 Bond Indenture, and in order to provide funds for that purpose the City Council of the City wishes to authorize the issuance and sale of City of Yuba City 2017 Wastewater Revenue Refunding Bonds in an aggregate principal amount not to exceed \$9,150,000 (the "Bonds") under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Bond Law"); and

WHEREAS, the Bonds will be secured by a pledge of and lien on the net revenues derived by the City from the operation of the Wastewater System, on a parity with the pledge and lien which secures outstanding obligations of the City relating to the Wastewater System; and

WHEREAS, the City has received a proposal from JPMorgan Chase Bank, N.A. to purchase the Bonds at an interest rate which ensures that the City will realize substantial savings from the refunding of the 2011 Bonds; and

WHEREAS, the City Council wishes to take action at this time authorizing the issuance and sale of the Bonds and approving related documents and actions, in furtherance of the public purposes of the City.

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

ARTICLE I

DEFINITIONS; AUTHORITY

SECTION 1.01. *Definitions.* The terms defined in this Section, as used and capitalized herein, shall, for all purposes of this Resolution, have the meanings given them below, unless the context clearly requires some other meaning.

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

- (i) An allowance for Net Revenues from any additions or improvements to or extensions of the Wastewater System to be made by the City during the 36-month period following the issuance of such Parity Debt, in an amount equal to 100% of the estimated additional average annual Net Revenues to be derived from all properties which are improved with a structure the construction of which has been completed prior to the date of issuance of such Parity Debt and to which service will be provided by such additions, improvements and extensions, all as shown by the certificate or opinion of a Fiscal Consultant.
- (ii) An allowance for Net Revenues arising from any increase in the charges made for service from the Wastewater System which has become effective prior to the incurring of such Parity Debt but which, during all or any part of the most recent completed Fiscal Year for which audited financial statements of the City are available, or for any more recent consecutive 12-month period selected by the City under Section 5.08(b), was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or 12-month period, all as shown by the certificate or opinion of a Fiscal Consultant.

“Authorized Officer” means the Mayor, City Manager, Director of Finance or any other officer or representative of the City duly authorized to act on behalf of the City hereunder or otherwise with respect to the Bonds, pursuant to a Certificate of the City.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the City 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 Law” means the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code, as in effect on the Closing Date or as thereafter amended in accordance with its terms.

“Bond Purchase Agreement” means the Bond Purchase Agreement between the City and the Original Purchaser, relating to the purchase of the Bonds by the Original Purchaser.

“Bonds” means the City of Yuba City 2017 Wastewater Revenue Refunding Bonds issued and at any time Outstanding hereunder.

“Certificate of the City” means a certificate in writing signed by an Authorized Officer of the City.

“City” means the City of Yuba City, a municipal corporation organized and existing under the laws of the State of California, and any successor thereto.

“Closing Date” means the date of delivery of the Bonds to the Original Purchaser.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City relating to the authorization, issuance, sale and delivery of the Bonds and the advance refunding of the 2011 Bonds, including but not limited to printing expenses, filing and recording fees, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, and any other cost, charge or fee in connection with the original issuance of the Bonds and the advance refunding of the 2011 Bonds.

“Debt Service” means, with respect to any Fiscal Year, the aggregate amount of principal of and interest on the Outstanding Bonds, 2014 Bonds, 2017 Installment Payments, SRF Loans and Parity Debt coming due and payable in such Fiscal Year, including the principal amount thereof which is subject to mandatory sinking fund redemption in such Fiscal Year.

“Escrow Agreement” means the Escrow Deposit and Trust Agreement dated as of the Closing Date, between the City and MUFG Union Bank, N.A, as escrow agent, relating to the advance refunding of the 2011 Bonds.

“Event of Default” means any of the events described in Section 7.01.

“Federal Securities” means any of the following which at the time of investment are legal investments under the laws of the State of California for the funds purported to be invested therein: (a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America); and (b) obligations of any agency, department or instrumentality of the United States of America the timely payment of principal of and interest on which are fully secured or guaranteed by the full faith and credit of the United States of America.

“Financial Consultant” means any consultant or firm of such consultants appointed by the City and who, or each of whom: (a) is judged by the City to have experience in matters relating to the financing of wastewater systems; (b) is in fact independent and not under domination of the City; (c) does not have any substantial interest, direct or indirect, with the City; and (d) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

“Fiscal Year” means the period commencing on July 1 of each year and terminating on the next succeeding June 30, or such other period as may be established by the City as its official fiscal year period.

“Gross Revenues” means all gross charges received for, and all other gross income and receipts derived by the City from, the ownership and operation of the Wastewater System or otherwise arising from the Wastewater System, including but not limited to (a) connection, capacity and extension charges and fees, (b) any amounts transferred to the Wastewater Fund from a Rate Stabilization Fund in accordance with Section 4.03, and (c) investment earnings on the foregoing. Gross Revenues do not include (i) the proceeds of any *ad valorem* property taxes levied for the purpose of paying general obligation bonds of the City relating to the Wastewater System, and (ii) the proceeds of any special assessments or special taxes levied upon real property within any improvement district for the purpose of paying special assessment bonds or special tax obligations of the City relating to the Wastewater System.

“Independent Accountant” means any accountant or firm of such accountants appointed and paid by the City, and who, or each of whom (a) is in fact independent and not under domination of the City; (b) does not have any substantial interest, direct or indirect, with the City; and (c) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make annual or other audits of the books of or reports to the City.

“Interest Payment Date” means June 1 and December 1 in each year, beginning December 1, 2017, and continuing so long as any Bonds remain Outstanding.

“Maximum Annual Debt Service” means, as of the date of any calculation, the maximum amount of Debt Service on the Outstanding Bonds, 2014 Bonds, 2017 Installment Payments, SRF Loans and Parity Debt for the current or any future Fiscal Year.

“Net Revenues” means, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

“Operation and Maintenance Costs” means the reasonable and necessary costs paid or incurred by the City for maintaining and operating the Wastewater System, determined in accordance with generally accepted accounting principles, including but not limited to (a) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and (b) the reasonable administrative costs of the City attributable to the operation and maintenance of the Wastewater System. “Operating and Maintenance Costs” do not include (i) debt service payable on obligations incurred by the City with respect to the Wastewater System, including but not limited to the Installment Payments and any Parity Debt, (ii) fees charged to the Wastewater System by the City which are not for services essential to the operation of the Wastewater System, (iii) depreciation, replacement and obsolescence charges or reserves therefor, and (iv) amortization of intangibles or other bookkeeping entries of a similar nature.

“Original Purchaser” means JPMorgan Chase Bank, N.A., as original purchaser of the Bonds upon the negotiated sale thereof, or its successors or assigns.

“Outstanding”, when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Treasurer under this Resolution except: (a) Bonds theretofore canceled by the Treasurer or surrendered to the Treasurer for cancellation; (b) Bonds with respect to which all liability of the City has been discharged in accordance with Section 8.03; (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Treasurer under this Resolution; and (d) Bonds which are required to be disregarded and not deemed Outstanding under Section 8.05.

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

“Parity Debt” means all bonds, notes, loan agreements, installment sale agreements, leases or other obligations of the City payable from and secured by a pledge of and lien on any of the Net Revenues issued or incurred on a parity with the Bonds under Section 5.08.

“Parity Debt Documents” means, with respect to any issue of Parity Debt, the agreement, indenture of trust, resolution or other instrument authorizing the issuance of such Parity Debt.

“Rate Stabilization Fund” means the fund (if any) by that name established and held by the City under Section 4.03.

“Record Date” means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date.

“Registration Books” means the books maintained by the Treasurer under Section 2.07 for the registration and transfer of ownership of the Bonds.

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

“Resolution” means this Resolution adopted by the City Council of the City on September 19, 2017, including any duly authorized and adopted amendments hereto or supplements hereof.

“SRF Financing Agreements” means, collectively, (a) that certain Project Finance Agreement (Agreement No. 11-830-550) entered into as of October 21, 2011, between the City and the California State Water Resources Control Board, and (b) that certain Project Finance Agreement (Agreement No. 12-804-550) entered into as of April 5, 2012, between the City and the California State Water Resources Control Board.

“SRF Loans” means, collectively, the loans made to the City under the SRF Financing Agreements.

“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 proposed, temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

“Treasurer” means the person at any time acting as, or otherwise performing the functions of, the treasurer of the City.

“Wastewater Fund” means the fund or funds established and held by the City with respect to the Wastewater System for the deposit of Gross Revenues.

“Wastewater System” means the entire wastewater collection, treatment and disposal system of the City, including but not limited to all facilities, properties and improvements at any time owned or operated by the City for the collection, treatment and disposal of wastewater within the service area of the City, together with any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the City.

“2011 Bond Indenture” means the Indenture of Trust dated as of November 1, 2011, between the City and Union Bank, N.A. (currently known as MUFG Union Bank, N.A.), as trustee for said bonds, including all duly authorized and executed amendments thereto and supplements thereof.

“2011 Bonds” means the City of Yuba City 2011 Wastewater Revenue Refunding Bonds issued in the aggregate original principal amount of \$9,715,000 and at any time outstanding under the 2011 Bond Indenture.

“2014 Bond Resolution” means Resolution No. 14-026 adopted by the City Council of the City on April 9, 2014.

“2014 Bonds” means the City of Yuba City 2014 Wastewater Revenue Refunding Bonds issued under the 2014 Bond Resolution in the aggregate original principal amount of \$7,321,914.13 and at any time outstanding.

“2017 Installment Payments” means the amounts payable by the City under Section 4.4 of the 2017 Installment Sale Agreement.

“2017 Installment Sale Agreement” means the Installment Sale Agreement dated as of April 1, 2017, between Yuba City Public Financing Authority, as seller, and the City, as purchaser, in the aggregate original principal amount of \$6,820,000.

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 Resolution; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Resolution as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

ISSUANCE OF BONDS

SECTION 2.01. *Authorization and Purpose of Bonds.* The City has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen 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 City is now duly empowered, under each and every requirement of law, to issue the Bonds in the manner and form provided in this Resolution.

The City hereby authorizes the issuance of Bonds in the aggregate principal amount of not to exceed \$9,150,000 under the Bond Law for the purposes of providing funds to refund the 2011 Bonds. The Bonds are authorized and issued under, and are subject to the terms of, this Resolution and the Bond Law. The Bonds are designated the "City of Yuba City 2017 Wastewater Revenue Refunding Bonds".

SECTION 2.02. *Terms of the Bonds.*

(a) Maturity. The Bonds shall be issued in the form of a single fully-registered Bond which matures on June 1, 2032. The Bonds shall be subject to mandatory sinking fund redemption for the purpose of providing for the amortization thereof, as provided in Section 2.03(b).

(b) Interest Provisions. Interest on the Bonds shall be calculated on the basis of a 360-day year comprised of twelve 30-day months, and shall be payable from the Interest Payment Date next 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 any 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 in subsection (c) below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date shall be 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 Treasurer, notice of which is given to such Owner by first-class mail not less than ten days prior to such special record date.

(c) Payment of Principal and Interest. The Treasurer shall pay interest on the Bonds by check of the City 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 Treasurer as of any Record Date, the Treasurer will pay principal of and 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 Treasurer will pay principal of the Bonds in lawful money of the United States of America by check of the City upon presentation and surrender thereof at the office of the Treasurer.

(d) Provisions of Bond Purchase Agreement to Control. Notwithstanding the foregoing provisions of this Section and the following provisions of Section 2.03, any of the terms of the Bonds may be established or modified under the Bond Purchase Agreement. In the event of a conflict or inconsistency between this Resolution and the Bond Purchase Agreement relating to the terms of the Bonds, the provisions of the Bond Purchase Agreement shall be controlling.

SECTION 2.03. *Redemption of Bonds.*

(a) Optional Redemption. The Bonds are not subject to optional redemption prior to maturity.

(b) Mandatory Sinking Fund Redemption. The Bonds shall be subject to mandatory sinking fund redemption in part, on June 1 in each of the years and in the respective principal amounts as set forth in the Bond Purchase Agreement, 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. No notice of sinking fund redemption is required to be given to the Owner of the Bonds.

(c) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest on the Bonds so called for redemption have been duly provided, no interest shall accrue thereon from and after the redemption date.

SECTION 2.04. *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) in the aggregate principal amount of the Bonds, which shall be executed, authenticated and delivered to the Original Purchaser on the Closing Date. Upon initial delivery of Bonds to the Original Purchaser, the Treasurer shall register the ownership of the Bonds on the Registration Books in the name of the Original Purchaser.

The Bonds, the form of Treasurer's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Resolution.

The Mayor of the City shall execute, and the City Clerk of the City 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 any 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. Any Bond may be signed and attested on behalf of the City by such persons as at the actual date of the execution of such Bond are the proper officers of the City, duly authorized to execute debt instruments on behalf of the City, although on the date of such Bond any such person was not an officer of the City.

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

SECTION 2.05. *Transfer and Exchange of Bonds.*

(a) Transfer. A Bond may be transferred in accordance with its terms and with the provisions of the Bond Purchase Agreement. A Bond may 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 Treasurer for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Treasurer, duly executed. Whenever any Bond or Bonds are surrendered for transfer, the City will execute and the Treasurer shall authenticate and deliver to the transferee a new Bond or Bonds of like interest rate, maturity and aggregate principal amount. The City will pay the cost of any services rendered or expenses incurred by the Treasurer in connection with any transfer of Bonds.

(b) Exchange. The Bonds may be exchanged at the office of the Treasurer for a like aggregate principal amount of Bonds of other authorized denominations. The City will pay the cost of any services rendered or expenses incurred by the Treasurer in connection with any exchange of Bonds.

(c) Limitations. The Treasurer may refuse to transfer or exchange, under the provisions of this Section, any Bonds selected by the City for redemption under Section 2.03.

SECTION 2.06. *Registration Books.* The treasurer is hereby appointed to act as registrar, transfer agent and authentication agent for the Bonds. As such, the Treasurer will keep or cause to be kept sufficient records for the registration and registration of transfer of the Bonds. The Treasurer will register the ownership and transfer of the Bonds on the Registration Books under such reasonable regulations as it may prescribe.

ARTICLE III

SALE OF BONDS; APPLICATION OF PROCEEDS

SECTION 3.01. *Issuance of Bonds.* Upon the execution and delivery of this Resolution, the City shall execute and deliver Bonds in the aggregate principal amount of not to exceed \$9,150,000 to the Treasurer and the Treasurer shall authenticate and deliver the Bonds to the Original Purchaser upon receipt of a Request of the City therefor.

SECTION 3.02. *Sale of Bonds.* The City Council hereby authorizes the negotiated sale of the Bonds to the Original Purchaser, pursuant to the Bond Purchase Agreement in substantially the form on file with the City Clerk together with such changes therein, deletions therefrom and modifications thereto as an Authorized Officer of the City may approve, such approval to be conclusively evidenced by the execution and delivery of the Bond Purchase Agreement. An Authorized Representative is hereby authorized to execute and deliver the final form of the Bond Purchase Agreement in the name and on behalf of the City. Notwithstanding anything herein to the contrary, any of the terms of the Bonds may be established or modified to conform to the provisions set forth in the Bond Purchase Agreement. In the event of a conflict or inconsistency between this Resolution and the Bond Purchase Agreement relating to the terms of the Bonds, the provisions of the Bond Purchase Agreement shall be controlling.

SECTION 3.03. *Deposit and Application of Proceeds.* At the Request of the City filed with the Original Purchaser as of the Closing Date, the proceeds of the Bonds shall be applied as follows:

- (a) The Original Purchaser shall disburse an amount designated in such Request of the City for payment of Costs of Issuance which are authorized under such Request of the City.
- (b) The Original Purchaser shall transfer the remainder of such proceeds to MUFG Union Bank, N.A. for deposit and application in accordance with the Escrow Agreement.

SECTION 3.04. *Refunding of 2011 Bonds.* The City Council hereby authorizes and approves the advance refunding of the 2011 Bonds from the proceeds of the Bonds and other available funds pursuant to the Escrow Agreement. The Escrow Agreement is hereby approved in substantially the form on file with the City Clerk together with any changes therein or additions thereto deemed advisable by an Authorized Officer, and the execution thereof by an Authorized Officer shall be conclusive evidence of the approval of such changes and additions. The City Council hereby authorizes and directs an Authorized Officer to execute the final form of the Escrow Agreement for and in the

name of the City. The City Council hereby authorizes the delivery and performance of the Escrow Agreement.

The City covenants that on the Closing Date, all liability and obligations of the City in respect of the 2011 Bonds shall be fully discharged and satisfied under and in accordance with the provisions of Section 9.04 the 2011 Bond Indenture, and thereafter the 2011 Bonds shall cease to be secured by a pledge of and lien on the Net Revenues.

SECTION 3.05. *Actions to Close Bond Issuance.* Each City Representative and any and all other officers of the City are each authorized and directed in the name and on behalf of the City to execute and deliver any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of the Bonds. Whenever in this Resolution any officer of the City is authorized 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 if such officer is absent or unavailable.

SECTION 3.06. *Validity of Bonds.* The recital contained in the Bonds that they are issued under the laws of the State of California shall be conclusive evidence of their validity and of the regularity of their issuance.

ARTICLE IV

REVENUES; FLOW OF FUNDS

SECTION 4.01. *Pledge of Net Revenues.* The Bonds shall be secured by a first pledge of and lien on all of the Net Revenues, on a parity with the 2014 Bonds, the 2017 Installment Payments, the SRF Loans and any additional Parity Debt. So long as any of the Bonds are Outstanding, the Net Revenues and such moneys may not be used for any other purpose; except that out of the Net Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by Section 4.02.

SECTION 4.02. *Receipt, Deposit and Application of Net Revenues.*

(a) Establishment and Maintenance of Wastewater Fund. The City has previously established the Wastewater Fund, which it will continue to hold and maintain for the purposes and uses set forth herein. The City shall deposit all Gross Revenues in the Wastewater Fund promptly upon the receipt thereof, and shall apply amounts in the Wastewater Fund solely for the uses and purposes set forth herein and for the uses and purposes set forth in the 2014 Bond Resolution, the 2017 Installment Sale Agreement, the SRF Financing Agreements and any Parity Debt Documents.

(b) Application of Amounts in Wastewater Fund. In addition to transfers which are required to be made for repayment of the 2014 Bonds, the 2017 Installment Payments, the SRF Loans and any Parity Debt, the City shall withdraw amounts on

deposit in the Wastewater Fund and apply such amounts at the times and for the purposes, and in the priority, as follows:

- (i) *Operation and Maintenance Costs.* The City shall apply amounts on deposit in the Wastewater Fund to pay all Operation and Maintenance Costs when due.
- (ii) *Bond Payments.* On or before each Interest Payment Date, so long as any Bonds remain Outstanding hereunder, the City shall apply amounts on deposit in the Wastewater Fund to pay the aggregate amount of principal and interest coming due and payable on the Bonds on such Interest Payment Date in accordance with Section 2.02, including paying the principal of the Bonds coming due and payable upon the mandatory sinking fund redemption thereof.

(c) Other Uses of Wastewater Fund. The City shall manage, conserve and apply moneys in the Wastewater Fund in such a manner that all deposits required to be made under this Section 4.02 and under the 2014 Bond Resolution, the 2017 Installment Sale Agreement, the SRF Financing Agreements and any Parity Debt Documents will be made at the times and in the amounts so required.

So long as no Event of Default has occurred and is continuing, the City may at any time use and apply moneys in the Wastewater Fund for any one or more of the following purposes:

- (i) the payment of any subordinate obligations or any unsecured obligations;
- (ii) the acquisition and construction of extensions and improvements to the Wastewater System;
- (iii) the redemption of any of the Bonds or any other obligations of the City relating to the Wastewater System; or
- (iv) any other lawful purpose of the City relating to the Wastewater System.

SECTION 4.03. *Establishment of Rate Stabilization Fund.* The City has the right at any time to establish a fund to be held by it and administered in accordance with this Section, for the purpose of stabilizing the rates and charges imposed by the City with respect to the Wastewater System. From time to time the City may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien which secures the Bonds, the 2014 Bonds, the 2017 Installment Payments, the SRF Loans and any Parity Debt, as the City may determine.

The City may, but is not required to, withdraw from any amounts on deposit in a Rate Stabilization Fund and deposit such amounts in the Wastewater Fund in any Fiscal Year for the purpose of paying debt service coming due and payable on the Bonds, the 2014 Bonds, the 2017 Installment Payments, the SRF Loans and any outstanding Parity Debt in such Fiscal Year. Amounts so transferred from a Rate Stabilization Fund to the

Wastewater Fund shall constitute Gross Revenues for such Fiscal Year (except as otherwise provided herein), and shall be applied for the purposes of the Wastewater Fund. Amounts on deposit in a Rate Stabilization Fund shall not be pledged to or otherwise secure the Bonds, the 2014 Bonds, the 2017 Installment Payments, the SRF Loans or any Parity Debt. All interest or other earnings on deposit in a Rate Stabilization Fund shall be withdrawn therefrom at least annually and accounted for as Gross Revenues in the Wastewater Fund. The City has the right at any time to withdraw any or all amounts on deposit in a Rate Stabilization Fund and apply such amounts for any lawful purposes of the City.

SECTION 4.04. *Investments.* All moneys in the Wastewater Fund and the Rate Stabilization Fund (if any) shall be invested by the City from time to time in any securities in which the City may legally invest funds subject to its control under the laws of the State of California.

The City covenants that all investments of amounts deposited in any fund or account created by or under this Resolution, 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 Resolution or the Tax Code) at Fair Market Value as such term is defined below.

Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code shall be valued at cost thereof (consisting of present value thereof within the meaning of Section 148 of the Tax Code). Except as provided in the proceeding sentence, for the purpose of determining the amount in any fund, the City shall value investments credited to such fund at least annually at the Fair Market Value thereof.

For purposes of this Section, the term "Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the 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, (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, or (iv) any commingled investment fund in which the Issuer and related parties do not own more than a 10% beneficial interest therein if the return paid by the fund is without regard to the source of the investment. To the extent required by the applicable regulations under the Tax Code, the term "investment" will include a hedge.

ARTICLE V

FINANCIAL COVENANTS

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

SECTION 5.02. *Compliance With Parity Documents.* The City will observe and perform all of the covenants, agreements and conditions on its part required to be observed and performed under the 2014 Bond Resolution, the 2017 Installment Sale Agreement, the SRF Financing Agreements and any Parity Debt Documents. The City will not take or omit to take any action within its control which would, or which if not corrected with the passage of time would, constitute an event of default under and within the meaning of the 2014 Bond Resolution, the 2017 Installment Sale Agreement, the SRF Financing Agreements and any Parity Debt Documents.

SECTION 5.03. *Operation of Wastewater System in Efficient and Economical Manner.* The City covenants and agrees to operate the Wastewater System in an efficient and economical manner and to operate, maintain and preserve the Wastewater System in good repair and working order.

SECTION 5.04. *Sale or Eminent Domain of Wastewater System.* Except as provided herein, the City covenants that the Wastewater System will not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the City to pay the principal of or interest on the Bonds or any Parity Debt, or would materially adversely affect its ability to comply with the terms of this Resolution or any Parity Debt Documents. The City shall not enter into any agreement which impairs the operation of the Wastewater System or any part of it necessary to secure adequate Net Revenues to pay the Bonds, the 2014 Bonds, the 2017 Installment Payments, the SRF Loans and any Parity Debt, or which otherwise would impair the rights of the Bond Owners with respect to the Net Revenues.

If any substantial part of the Wastewater System is sold, the payment therefor shall be used for the acquisition or construction of improvements and extensions or replacement facilities.

Any amounts received as awards as a result of the taking of all or any part of the Wastewater System by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the City, shall be used for the purposes set forth in the 2014 Bond Resolution, the 2017 Installment Sale Agreement, the SRF Financing Agreements and the Parity Debt Documents, including for the acquisition or construction of improvements and extension of the Wastewater System.

SECTION 5.05. *Insurance.* The City will at all times maintain with responsible insurers all such insurance on the Wastewater System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage

to the Wastewater System. If any useful part of the Wastewater System is damaged or destroyed, such part must be restored to usable condition. All amounts collected from insurance against accident to or destruction of any portion of the Wastewater System shall be used for the purposes set forth in the 2014 Bond Resolution, the 2017 Installment Sale Agreement, the SRF Financing Agreements and the Parity Debt Documents, including to repair or rebuild such damaged or destroyed portion of the Wastewater System. The City shall also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the City and the Owners of the Bonds.

SECTION 5.06. *Books and Accounts; Financial Statements; Additional Information.* The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City. 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 Owners of not less than 10% in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

The City will cause to be prepared annually, within 210 days after the close of each Fiscal Year so long as any of the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year, certified by an Independent Accountant, as of the end of such Fiscal Year. The City will furnish a copy of such statements to the Original Purchaser and, upon reasonable request, to any other Owner.

SECTION 5.07. *Rates and Charges.* The City shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues (excluding any amounts transferred from a Rate Stabilization Fund) sufficient to pay the following amounts in the following order of priority:

- (a) All Operation and Maintenance Costs estimated by the City to become due and payable in such Fiscal Year;
- (b) The principal of and interest on the Bonds, the 2014 Bonds, the 2017 Installment Payments, the SRF Loans and any Parity Debt as they become due and payable during such Fiscal Year, without preference or priority, except to the extent such interest is payable from proceeds of Parity Debt deposited for such purpose;
- (c) All payments required to meet any other obligations of the City which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues during such Fiscal Year.

In addition, the City shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year which are sufficient to yield Net Revenues which are at least equal to 120% of the amount described in the preceding clause (b) for such Fiscal Year. For purposes of this paragraph, the amount of Net Revenues for a Fiscal Year will be computed on the basis that (a) any transfers into the Wastewater Fund in such Fiscal Year from any Rate

Stabilization Fund are included in the calculation of Net Revenues, and (b) any deposits into the Rate Stabilization Fund in such Fiscal Year are deducted from the amount of Net Revenues to the extent such deposits are made from Gross Revenues received by the City during that Fiscal Year.

SECTION 5.08. *Issuance of Parity Debt.* The City may issue Parity Debt in such principal amount as it determines, subject to the following conditions precedent:

- (a) No Event of Default (or no event with respect to which notice has been given and which, once all notice of grace periods have passed, would constitute an Event of Default) has occurred and is continuing.
- (b) The Net Revenues (excluding any amounts derived from a Rate Stabilization Fund), calculated in accordance with sound accounting principles, as shown by the books of the City for the most recent completed Fiscal Year for which audited financial statements of the City are available, or for any more recent consecutive 12-month period selected by the City, in either case verified by an Independent Accountant or a Fiscal Consultant or shown in the audited financial statements of the City, plus (at the option of the City) any Additional Revenues, at least equal 120% of Maximum Annual Debt Service (taking into account the Parity Debt then proposed to be issued);
- (c) The City shall deliver to the Original Purchaser a Certificate of the City certifying, and an opinion of Bond Counsel stating, that the conditions precedent to the issuance of such Parity Debt set forth in this Section have been satisfied.

SECTION 5.09. *Superior and Subordinate Obligations.* The City may not issue or incur any additional bonds or other obligations having any priority in payment of principal or interest out of the Net Revenues over the Bonds. Nothing herein limits or affects the ability of the City to issue or incur (a) Parity Debt, or (b) obligations which are either unsecured or which are secured by an interest in the Net Revenues which is junior and subordinate to the pledge of and lien upon the Net Revenues established hereunder.

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

(a) Generally. The City shall 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 City shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Tax Code or the private loan financing test of section 141(c) of the Tax Code.

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

(d) No Arbitrage. The City shall not take, or permit or suffer to be taken, 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 City 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 City 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 City. The City 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).

(f) Small Issuer Exemption from Bank Nondeductibility Restriction. The City hereby designates the Bonds for purposes of paragraph (3) of section 265(b) of the Tax Code and represents that not more than \$10,000,000 aggregate principal amount of obligations the interest on which is excludable (under section 103(a) of the Tax Code) from gross income for federal income tax purposes (excluding (i) private activity bonds, as defined in section 141 of the Tax Code, except qualified 501(c)(3) bonds as defined in section 145 of the Tax Code and (ii) current refunding obligations to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligation), including the Bonds, has been or will be issued by the City, including all subordinate entities of the City, during the calendar year 2017.

(g) Record Retention. The City will retain its records of all accounting and monitoring it carries out with respect to the Bonds for at least 3 years after the Bonds mature or are redeemed (whichever is earlier); however, if the Bonds are redeemed and refunded, the Issuer will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the Bonds.

(h) Compliance with Tax Certificate. The City will comply with the provisions of the Tax Certificate and the Use of Proceeds Certificate with respect to the Bonds, which are incorporated herein as if fully set forth herein. The covenants of this subsection (h) will survive payment in full or defeasance of the Bonds.

SECTION 5.11. *Additional Information to Original Purchaser*. The City shall provide such additional information as the Original Purchaser shall reasonably request from time to time pursuant to written notice to the City.

SECTION 5.12. *Further Assurances*. The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance

of this Resolution, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in this Resolution.

ARTICLE VI

MODIFICATION AND AMENDMENT OF THIS RESOLUTION

SECTION 6.01. *Amendments With Bond Owner Consent.* This Resolution and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended by the City by the adoption of an amendatory resolution, but only with the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding. No such modification or amendment may:

- (a) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal thereof, or interest thereon, at the time and place and at the rate and in the currency provided therein, without the written consent of the Owner of such Bond, or
- (b) permit the creation by the City of any mortgage, pledge or lien upon the Net Revenues which is 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.

SECTION 6.02. *Amendments Without Bond Owner Consent.* This Resolution and the rights and obligations of the City and of the Owners of the Bonds may also be modified or amended at any time by an amendatory resolution, without the consent of any Owners of the Bonds, but only for any one or more of the following purposes:

- (a) to add to the covenants and agreements of the City contained in this Resolution, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the City;
- (b) to cure any ambiguity, or to cure, correct or supplement any defective provision contained in this Resolution, or in any other respect whatsoever as the City 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;
- (c) to provide for the issuance of Parity Debt under Section 5.08, and to provide the terms and conditions under which such Parity Debt may be issued, including but not limited to the establishment of special funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the provisions of Section 5.08; or

- (d) 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.

Notwithstanding the foregoing provisions of this Section, so long as the Original Purchaser is the Owner of all of the Outstanding Bonds, no amendment shall be made under this Section without the prior written consent of the Original Purchaser.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

SECTION 7.01. *Events of Default.* 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 City to observe and perform any of the other covenants, agreements or conditions on its part contained in this Resolution or in the Bonds, 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 City by any Bond Owner; *provided, however*, if in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such 30-day period, such failure will not constitute an Event of Default if corrective action is instituted by the City within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.
- (d) The City 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 2014 Bond Resolution, the 2017 Installment Sale Agreement, the SRF Financing Agreements or in any Parity Debt Documents.

SECTION 7.02. *Remedies.* If an Event of Default occurs and is continuing, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding may (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 Resolution or in the Bonds to the contrary

notwithstanding, and (b) exercise any other remedies available to the Bond Owners in law or at equity to enforce their rights under this Resolution.

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 City shall 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 of 10% per annum, and any and all other defaults (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 a majority in aggregate principal amount of the Outstanding Bonds, then, and in every such case, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the City, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

The right of any Owner of any Bond to receive payment of the principal of 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 Resolution.

SECTION 7.03. *Non-waiver.* Nothing in this Article or in any other provision of this Resolution or in the Bonds, affects or impairs the obligation of the City, which is absolute and unconditional, to pay from the Net Revenues and other amounts pledged hereunder, the principal of and interest 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 Owner does not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any 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 Owners by the Bond Law or by this Article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

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

SECTION 7.04. *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 Bond Law or any other law.

SECTION 7.05. *Control of Remedies by Original Purchaser.* Notwithstanding anything herein to the contrary, for so long as a majority in aggregate principal amount of the Outstanding Bonds are owned by the Original Purchaser, the Original Purchaser shall have the right to control all actions relating to events of default or waivers thereof, or remedies or consents or the exercise of any other rights granted to the Bond Owners hereunder. Any time the consent of, or notice to, the Original Purchaser is required under this Resolution, such consent or notice is only required if the Original Purchaser shall own at least a majority in aggregate principal amount of the Outstanding Bonds. All provisions herein relating to the rights of the Original Purchaser shall be of no force and effect if the Original Purchaser no longer owns a majority in principal amount of Outstanding Bonds. In such event, all references to the Original Purchaser shall have no force or effect.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. *Limited Liability of the City.* Notwithstanding anything in this Resolution contained, the City is not required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the principal of or interest on the Bonds, or for the performance of any covenants herein contained (except to the extent any such covenants are expressly payable hereunder from the Net Revenues). The City may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the City for such purpose without incurring indebtedness.

The Bonds are revenue bonds, payable exclusively from the Net Revenues and other funds as provided in this Resolution. The Wastewater Fund is not liable, and the credit of the City is not pledged, for the payment of the interest on or principal of the Bonds. The Owners of the Bonds have no right to compel the forfeiture of any property of the City. The principal of and interest on the Bonds are not a debt of the City, or a legal or equitable pledge, charge, lien or encumbrance upon any property of the City or upon any of its income, receipts or revenues except the Net Revenues and other funds pledged to the payment thereof as provided in this Resolution.

SECTION 8.02. *Benefits of Resolution Limited to Parties.* Nothing in this Resolution, expressed or implied, gives to any person other than the City, the Original Purchaser and the Owners of the Bonds, any right, remedy or claim under or by reason of this Resolution. Any covenants, stipulations, promises or agreements in this Resolution contained by and on behalf of the City shall be for the sole and exclusive benefit of the Owners of the Bonds.

SECTION 8.03. *Defeasance of Bonds.* If the City pays and discharges the entire indebtedness on any 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 a fiduciary agent, 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 Resolution, is fully sufficient to pay such Bonds, including all principal and interest;
- (c) by irrevocably depositing with a fiduciary agent, in trust, at or before maturity, Federal Securities, which, together with the interest to accrue thereon and available amounts then on deposit in the funds and accounts established under this Resolution, in the opinion or report of an Independent Accountant delivered to the City and the Original Purchaser is fully sufficient to pay and discharge the indebtedness on such Bonds including all principal and interest; or
- (d) by purchasing such Bonds prior to maturity and tendering such Bonds to the Treasurer for cancellation;

and provided further that (i) no obligations are then due and owing by the City to the Original Purchaser under the Bond Purchase Agreement, as evidenced by a Certificate of the City to such effect filed with the Original Purchaser, and (ii) if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption has been duly given or provision has been made for the giving of such notice, then, at the election of the City, and notwithstanding that any such Bonds have not been surrendered for payment, all obligations of the City under this Resolution with respect to such Bonds shall cease and terminate, except only:

- (a) the obligation of the Treasurer to transfer and exchange Bonds hereunder, and
- (b) the obligation of the City to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the fiduciary agent, all sums due thereon.

SECTION 8.04. *Execution of Documents and Proof of Ownership by Owners.* Any request, consent, declaration or other instrument which this Resolution 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.

The ownership of Bonds and the amount, maturity, number and date of ownership thereof shall be 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 City in good faith and in accordance therewith.

SECTION 8.05. *Waiver of Personal Liability.* No member, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal of or interest 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 8.06. *Waiver of Jury Trial; Agreement for Judicial Reference; No Sovereign Immunity.* To the fullest extent permitted by law, the City hereby waives its right to trial by jury in any action, proceeding and/or hearing on any matter whatsoever arising out of, or in any way connected with, the Bonds, this Resolution or any documents relating to the Bonds or this Resolution, or the enforcement of any remedy under any law, statute, or regulation. To the extent such waiver is not enforceable, the City hereby consents to the adjudication of any and all such matters pursuant to Judicial Reference as provided in Section 638 of the California Code of Civil Procedure, and the judicial referee shall be empowered to hear and determine any and all issues in such Reference whether fact or law. The City hereby represents that it does not possess and will not invoke a claim of sovereign immunity for disputes arising out of contractual claims relating to the Bonds or this Resolution.

SECTION 8.07. *Funds and Accounts.* Any fund or account required by this Resolution to be established and maintained by the City may be established and maintained in the accounting records of the City either as a fund or an account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account. All such records with respect to all such funds and accounts held by the City shall at all times be maintained in accordance with accepted accounting principles; in each case with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

SECTION 8.08. *Notices.* All written notices to be given to the City under this Resolution shall be given by first class mail or personal delivery at its address set forth below, or at such address as the City may designate in writing from time to time.

City of Yuba City
1201 Civic Center Boulevard
Yuba City, California 95993
Attention: Director of Finance
Fax: 530-822-4694

SECTION 8.09. *Governing Law.* This Resolution shall be governed by and construed in accordance with the laws of the State of California.

SECTION 8.10. *Effective Date.* This Resolution shall take effect from and after the date of its passage and adoption.

* * * * *

The foregoing resolution was adopted at a regular meeting of the City Council of the City of Yuba City held on September 19, 2017, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Stanley Cleveland Jr., Mayor
City of Yuba City

ATTEST:

Patricia Buckland, City Clerk
City of Yuba City

APPENDIX A

FORM OF BOND

No. R-__

\$

**CITY OF YUBA CITY
2017 WASTEWATER REVENUE REFUNDING BOND**

RATE OF INTEREST:
____%

MATURITY DATE:
[]

ORIGINAL ISSUE DATE:
[]

REGISTERED OWNER:

PRINCIPAL AMOUNT:

The CITY OF YUBA CITY, a municipal corporation organized and existing under the laws of the State of California (the "City") for value received, hereby promises to pay (but only out of the Net Revenues and other assets pledged therefor as hereinafter mentioned) to the Registered Owner stated above, or registered assigns, on the Maturity Date stated above (subject to any right of prior redemption hereinafter mentioned), the Principal Amount stated above, in lawful money of the United States of America; and to pay interest thereon in like lawful money from the Interest Payment Date next preceding the date of authentication of this Bond (unless this Bond is authenticated as of a day during the period commencing after the fifteenth day of the month preceding an Interest Payment Date and ending on or before such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or before November 15, 2017, in which event it shall bear interest from the Issue Date stated above) until payment of such principal sum shall be discharged as provided in the Bond Resolution hereinafter mentioned, at the Interest Rate per annum stated above, payable semiannually on each June 1 and December 1, commencing December 1, 2017 (each, an "Interest Payment Date").

The principal hereof and the interest hereon is payable by check of the City mailed on each Interest Payment Date to the Registered Owner as of the 15th day of the month preceding each Interest Payment Date (except with respect to payment of defaulted interest as provided in the Bond Resolution) at the address shown on the registration books maintained by the Treasurer of the City (the "Treasurer"). Payment of principal and interest will be made by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the

Treasurer before the 15th day of the month preceding the applicable Interest Payment Date.

Notwithstanding anything herein or in the Bond Resolution to the contrary, so long as this Bond is owned by JPMorgan Chase Bank, N.A., (the "Original Purchaser"), all amounts payable to the Original Purchaser with respect to this Bond shall be made by the City to the Original Purchaser, unless the Original Purchaser otherwise provides written direction to the City (without any presentment thereof, except upon the payment of the final installment of principal, and without any notation of such payment being made thereon), in such manner or at such address in the United States as may be designated by the Original Purchaser in writing to the City (the "Bank Direct Payment Period"). During any Bank Direct Payment Period, (i) any payment made shall be accompanied by sufficient information to identify the source and proper application of such payment, (ii) the Original Purchaser shall notify the City in writing of any failure of the City to make any payment of the principal of or interest on this Bond when due, and (iii) if this Bond is sold or transferred, the Original Purchaser shall notify the City in writing of the name and address of the transferee, the effective date of the transfer, the principal amount of this Bond transferred and the payment information notated on this Bond as hereinafter described, and it will, prior to delivery hereof, make a notation hereon of the date to which interest has been paid thereon and of the amount of any redemption made on account of the principal thereof. Furthermore, to the extent that the City has made the required payments to the Original Purchaser during any Bank Direct Payment Period, the City shall have no obligations to make payments of the principal of or interest on this Bond, to act as registrar or to take any other action in respect thereof, except at the express written direction of the Original Purchaser.

So long as Bonds are owned by the Original Purchaser, (i) the Bonds are not required to be presented and surrendered to the Treasurer of the City for payment at any time prior to the final maturity thereof, and (ii) the City will pay the principal of, including sinking fund payments, and interest on Bonds by wire transfer to the Original Purchaser in accordance with wire transfer instructions provided by the Original Purchaser to the City.

This Bond is one of a duly authorized issue of bonds of the City designated as its "City of Yuba City 2017 Wastewater Revenue Refunding Bonds" (the "Bonds"), in the aggregate principal amount of \$_____, authorized under Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Bond Law"), and issued under Resolution No. ___ adopted by the City Council of the City on September 19, 2017 (the "Bond Resolution"). The Bonds have been issued for the purpose of refinancing certain obligations of the City incurred to finance improvements to the City's wastewater collection, treatment and disposal system (the "Wastewater System").

Reference is hereby made to the Bond Resolution and to the Bond Law for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Treasurer and of the rights and obligations of the City thereunder. The Registered Owner of this Bond, by acceptance hereof, assents and agrees to all the provisions of the Bond Resolution.

The Bonds and the interest thereon are payable from Net Revenues of the Wastewater System (as such terms are defined in the Bond Resolution) and are secured

by a pledge and assignment of said Net Revenues and by a pledge and assignment of certain amounts held under the Bond Resolution, subject only to the provisions of the Bond Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Resolution. The City has the right under the Bond Resolution to issue additional obligations on a parity with the Bonds, subject to the specific conditions set forth in the Bond Resolution. The Bonds are special obligations of the City and are not a lien or charge upon the funds or property of the City, except to the extent of the aforesaid pledge and assignment.

The Bonds are subject to mandatory sinking fund redemption in part by lot, on June 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, in the aggregate respective principal amounts and on the respective dates set forth below.

Sinking Fund Redemption Date <u>(June 1)</u>	Principal Amount <u>To Be Redeemed</u>
	\$

So long as the Bonds are owned by the Original Purchaser, no notice of mandatory sinking fund redemption shall be given. If this Bond is called for redemption and payment is duly provided therefor as specified in the Bond Resolution, 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 Bond Resolution, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Bond Resolution, but such declaration and its consequences may be rescinded and annulled as further provided in the Bond Resolution. Upon the occurrence and during the continuation of an Event of Default, the Bonds shall bear interest at the Default Rate defined above.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the office of the Treasurer in Yuba City, California, or such other place as designated by the Treasurer, but only in the manner, subject to the limitations and upon payment of the charges provided in the Bond Resolution, 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. This Bond may only be transferred in accordance with the terms and provisions set forth in the Bond Resolution, and upon satisfaction of the conditions precedent to any such transfer as set forth in the Bond Resolution, which are hereby incorporated into this Bond by reference.

The City and the Treasurer may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the City and the Treasurer 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 City, does not exceed any limit prescribed by any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Bond Resolution.

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

IN WITNESS WHEREOF, City of Yuba City has caused this Bond to be executed in its name and on its behalf by the facsimile signature of the Mayor of the City and its seal to be reproduced hereon by facsimile and attested to by the facsimile signature of the City Clerk of the City, all as of the Issue Date stated above.

CITY OF YUBA CITY

By _____
Mayor

Attest:

City Clerk

TREASURER'S CERTIFICATE OF AUTHENTICATION

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

Dated: _____

By _____
City Treasurer

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 Treasurer 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.

ESCROW DEPOSIT AND TRUST AGREEMENT

This ESCROW DEPOSIT AND TRUST AGREEMENT (this "Agreement"), dated _____, 2017, is between the CITY OF YUBA CITY, a municipal corporation organized and existing under the laws of the State of California (the "City"), 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 for the 2011 Bonds described below (the "Escrow Agent") and as 2011 Trustee, as hereinafter defined.

BACKGROUND:

1. The City has previously entered into an Indenture of Trust dated as of November 1, 2011 (the "2011 Bond Indenture"), between the City and MUFG Union Bank, N.A. (formerly known as Union Bank, N.A.) (the "2011 Trustee"), pursuant to which it issued the City of Yuba City 2011 Wastewater Revenue Refunding Bonds in an aggregate original principal amount of \$9,715,000 (the "2011 Bonds"), which 2011 Bonds are secured by a pledge of and lien on the net revenues of the City's wastewater collection, treatment and disposal system.

2. Under Section 2.03(a) of the 2011 Bond Indenture, the City has the right to redeem the 2011 Bonds maturing on or after June 1, 2019 in whole or in part on June 1, 2018, and under Section 9.04 of the 2011 Bond Indenture, the City has the right to defease the 2011 Bonds with an irrevocable deposit of funds which has the effect of discharging the City's obligations under the 2011 Bond Indenture.

3. In order to provide funds to defease the 2011 Bonds and thereby discharge the City's obligations under the 2011 Bond Indenture, the City Council of the City has authorized the issuance of City of Yuba City 2017 Wastewater Revenue Refunding Bonds in an aggregate principal amount not to exceed \$9,150,000 (the "2017 Bonds") under Resolution No. 17-_____ adopted by the City Council of the City on September 19, 2017 (the "2017 Bond Resolution").

4. The City 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 defeasance of the 2011 Bonds in full.

A G R E E M E N T :

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

SECTION 1. *Appointment of Escrow Agent; Establishment of Escrow Fund.* The City hereby appoints the Escrow Agent to act as escrow agent for purposes of administering the funds required to defease the 2011 Bonds in full pursuant to Sections 2.03(a) and 9.04 of the 2011 Bond Indenture, and thereby discharge the City's obligations under the 2011 Bond Indenture.

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 defeasance of the 2011 Bonds in accordance with the 2011 Bond Indenture. If at any time the Escrow Agent receives actual knowledge that the cash and securities in the Escrow Fund will not be sufficient to make any payment required by Section 4 in respect of the 2011 Bonds, the Escrow Agent shall notify the City of such fact and the City shall immediately cure such deficiency from any source of legally available funds. The Escrow Agent has no liability for any such insufficiency.

SECTION 2. *Deposit of Amounts in Escrow Fund.* On October 17, 2017 (the "Closing Date"), the City 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 proceeds of the 2017 Bonds.

SECTION 3. *Investment of Amounts in Escrow Fund.* The Escrow Agent shall invest the amount of \$_____ deposited into the Escrow Fund under Section 2 in the following Federal Securities (as such term is defined in the 2011 Bond Indenture):

Federal Securities	Maturity Date	Principal Amount	Coupon Rate	Total Purchase Price
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The Escrow Agent shall hold any remaining moneys in the Escrow Fund in cash, uninvested.

SECTION 4. *Application of Amounts in Escrow Fund.* On the Closing Date, the Escrow Agent shall apply the amounts on deposit in the Escrow Fund to pay and redeem the 2011 Bonds in accordance with the following schedule:

<u>Payment Date</u>	<u>Interest Payment</u>	<u>Maturing Principal</u>	<u>Redeemed Principal</u>	<u>Redemption Premium</u>	<u>Total Payment</u>
June 1, 2018	\$___	\$___	\$___	\$0.00	\$___

Following the payment and redemption of the 2011 Bonds in full on June 1, 2018, the Escrow Agent shall transfer any amounts remaining on deposit in the Escrow Fund to the City to be applied to pay interest next coming due and payable on the 2017 Bonds in accordance with the 2017 Bond Resolution. Such transfers shall be made in

accordance with wire transfer instructions which are filed with the Escrow Agent by the City prior to June 1, 2018.

SECTION 5. *Irrevocable Election to Redeem 2011 Bonds.* The City hereby irrevocably elects to redeem all of the 2011 Bonds maturing on or after June 1, 2019 on June 1, 2018, in accordance with the provisions of Section 2.03(a) of the 2011 Bond Indenture, and has given notice of such election to the 2011 Trustee. In the manner required by Section 2.03(b) of the 2011 Bond Indenture, the 2011 Trustee is instructed to mail, at the expense of the City, a notice of redemption to the owners of the outstanding 2011 Bonds maturing on or after June 1, 2019, substantially in the form attached hereto as Exhibit A. The Escrow Agent is hereby instructed to file on the Closing Date a notice of defeasance substantially in the form attached hereto as Exhibit B on the Municipal Securities Rulemaking Board's EMMA System.

SECTION 6. *Transfer of 2011 Funds.* On the Closing Date all amounts held by the City in the funds and accounts established under the 2011 Bond Indenture shall be applied to pay the principal of and interest on the 2017 Bonds next coming due and payable.

SECTION 7. *Compensation to Escrow Agent.* The City shall pay the Escrow Agent full compensation for its services under this Agreement, including out-of-pocket costs such as publication costs, redemption expenses, legal fees and other costs and expenses relating hereto and, in addition, all fees, costs and expenses relating to the purchase, substitution or withdrawal of any securities after the date hereof. 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 securities at any time on deposit in the Escrow Fund.

The City 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 7 shall survive the termination of this Agreement or the earlier resignation or removal of the Escrow Agent.

SECTION 8. *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 liable for any loss from any investment made by it in accordance with the terms of this Agreement. 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 securities to pay the principal, interest and redemption premium, if any, with respect to the 2011 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 City 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 City. Upon receiving such notice of resignation, the City 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 City, 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.

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, 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. If the City 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's understanding of such instructions shall be deemed controlling. The Escrow Agent shall not be 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 City 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 9. *Termination of Agreement.* Upon payment and redemption in full of the 2011 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 10. *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 11. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of California.

CITY OF YUBA CITY

By: _____
City Manager

MUFG UNION BANK, N.A., as Escrow
Agent and as 2011 Trustee

By _____
Authorized Officer

ACKNOWLEDGED AND AGREED:

**ASSURED GUARANTY MUNICIPAL
CORP.**, in its capacity as Bond Insurer
for the 2011 Bonds

By _____
Authorized Representative

EXHIBIT A

FORM OF NOTICE OF REDEMPTION

\$9,715,000
City of Yuba City
2011 Wastewater Revenue Refunding Bonds

Date of Issue: November 1, 2011
Final Maturity Date: June 1, 2032

NOTICE IS HEREBY GIVEN, by the City of Yuba City (the "City"), with respect to the captioned bonds (the "Bonds"), pursuant to Section 2.03(a) of the Indenture of Trust dated as of November 1, 2011 (the "2011 Bond Indenture"), between the City and MUFG Union Bank, N.A. (formerly known as Union Bank, N.A.) (the "2011 Trustee") that it has irrevocably elected to optionally redeem the outstanding Bonds maturing on and after June 1, 2019, on June 1, 2018 (the "Redemption Date"), at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the Redemption Date, without premium.

The Bonds to be redeemed consist of the following:

CUSIP Number*	Principal Amount	Maturity Date (June 1)	Interest Rate	Redemption Price (% of Par Amount)
988266 CG5	\$155,000	2019	2.900%	100.0%
988266 CH3	160,000	2020	3.150	100.0
988266 CJ9	165,000	2021	3.300	100.0
988266 CK6	170,000	2022	3.400	100.0
988266 CL4	170,000	2023	3.500	100.0
988266 CM2	180,000	2024	3.650	100.0
988266 CN0	180,000	2025	3.750	100.0
988266 CP5	935,000	2026	3.875	100.0
988266 CQ3	970,000	2027	4.000	100.0
988266 CR1	1,000,000	2028	4.100	100.0
988266 CS9	1,040,000	2029	4.200	100.0
988266 CT7	1,080,000	2030	4.250	100.0
988266 CU4	1,125,000	2031	4.300	100.0
988266 CV2	1,175,000	2032	4.350	100.0

* CUSIP data are provided by S&P Global Services, managed by Standard & Poor's Capital IQ. The City and the Escrow Agent shall not be responsible for the selection or use of the CUSIP numbers listed above, nor is any representation made as to the accuracy of the CUSIP numbers listed above or as printed on any Bond; the CUSIP numbers are included solely for the convenience of the owners of the Bonds.

Funds for the payment of all of the outstanding Bonds have been deposited with MUFG Union Bank, N.A., as escrow agent for the Bonds (the "Escrow Agent").

The Bonds to be redeemed must be surrendered by the owners thereof at the corporate trust office of the Escrow Agent for payment of the redemption price.

MUFG Union Bank, N. A.
Attn: Corporate Trust Department—Redemptions
445 South Figueroa Street, Suite 401
Los Angeles, California 90071

Dated: _____, 2018

MUFG UNION BANK, N.A.,
as Trustee for the Bonds and as Escrow Agent

EXHIBIT B

FORM OF NOTICE OF DEFEASANCE

**\$9,715,000
City of Yuba City
2011 Wastewater Revenue Refunding Bonds**

Date of Issue: November 1, 2011
Final Maturity Date: June 1, 2032

NOTICE IS HEREBY GIVEN, by the City of Yuba City (the "City"), with respect to the captioned bonds (the "Bonds"), that it has defeased the Bonds set forth below as of _____, 2017. ***This notice is not a notice of redemption of any of the Bonds.***

The Bonds that have been defeased, and the date on which the Bonds will be redeemed, are identified in the following table.

CUSIP Number*	Principal Amount	Maturity Date (June 1)	Interest Rate	Redemption Date
988266 CF7	\$160,000	2018	2.625%	N/A
988266 CG5	155,000	2019	2.900	June 1, 2018
988266 CH3	160,000	2020	3.150	June 1, 2018
988266 CJ9	165,000	2021	3.300	June 1, 2018
988266 CK6	170,000	2022	3.400	June 1, 2018
988266 CL4	170,000	2023	3.500	June 1, 2018
988266 CM2	180,000	2024	3.650	June 1, 2018
988266 CN0	180,000	2025	3.750	June 1, 2018
988266 CP5	935,000	2026	3.875	June 1, 2018
988266 CQ3	970,000	2027	4.000	June 1, 2018
988266 CR1	1,000,000	2028	4.100	June 1, 2018
988266 CS9	1,040,000	2029	4.200	June 1, 2018
988266 CT7	1,080,000	2030	4.250	June 1, 2018
988266 CU4	1,125,000	2031	4.300	June 1, 2018
988266 CV2	1,175,000	2032	4.350	June 1, 2018

* CUSIP data are provided by S&P Global Services, managed by Standard & Poor's Capital IQ. The City and the Escrow Agent shall not be responsible for the selection or use of the CUSIP numbers listed above, nor is any representation made as to the accuracy of the CUSIP numbers listed above or as printed on any Bond; the CUSIP numbers are included solely for the convenience of the owners of the Bonds.

Funds for the payment of all of the Bonds that have been defeased have been deposited with MUFG Union Bank, N.A., as escrow agent for the Bonds (the "Escrow Agent").

Dated: _____, 2017

MUFG UNION BANK, N.A.,
as Trustee for the Bonds and as Escrow Agent

City of Yuba City

2017 Wastewater Revenue Refunding Bonds (Refunding of 2011 WW Rev Ref Bonds)

Private Placement - JPM (2.03%, Locked After Reso, No Call, Agg. Level DS)

Sources & Uses

Dated 10/17/2017 | Delivered 10/17/2017

Sources Of Funds

Par Amount of Bonds	\$9,077,978.00
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Total Sources	\$9,077,978.00
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Uses Of Funds

Deposit to Current Refunding Fund	8,952,977.86
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Costs of Issuance	125,000.00
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Rounding Amount	0.14
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Total Uses	\$9,077,978.00
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City of Yuba City

2017 Wastewater Revenue Refunding Bonds (Refunding of 2011 WW Rev Ref Bonds)

Private Placement - JPM (2.03%, Locked After Reso, No Call, Agg. Level DS)

Gross Debt Service Comparison

Date	Principal	Coupon	Interest	New D/S	Old D/S	Savings
06/01/2018	217,749.00	2.030%	113,213.92	330,962.92	509,328.76	178,365.84
06/01/2019	148,401.00	2.030%	179,113.31	327,514.31	500,128.76	172,614.45
06/01/2020	149,175.00	2.030%	176,096.86	325,271.86	500,633.76	175,361.90
06/01/2021	154,036.00	2.030%	173,044.07	327,080.07	500,593.76	173,513.69
06/01/2022	172,600.00	2.030%	169,823.40	342,423.40	500,148.76	157,725.36
06/01/2023	154,043.00	2.030%	166,413.32	320,456.32	494,368.76	173,912.44
06/01/2024	157,353.00	2.030%	163,269.54	320,622.54	498,418.76	177,796.22
06/01/2025	924,182.00	2.030%	156,203.26	1,080,385.26	491,848.76	(588,536.50)
06/01/2026	939,001.00	2.030%	137,367.55	1,076,368.55	1,240,098.76	163,730.21
06/01/2027	959,658.00	2.030%	118,201.52	1,077,859.52	1,238,867.50	161,007.98
06/01/2028	976,065.00	2.030%	98,637.62	1,074,702.62	1,230,067.50	155,364.88
06/01/2029	994,241.00	2.030%	78,731.73	1,072,972.73	1,229,067.50	156,094.77
06/01/2030	1,018,159.00	2.030%	58,427.85	1,076,586.85	1,225,387.50	148,800.65
06/01/2031	1,032,660.00	2.030%	37,686.01	1,070,346.01	1,224,487.50	154,141.49
06/01/2032	1,080,655.00	2.030%	16,449.65	1,097,104.65	1,226,112.50	129,007.85
Total	\$9,077,978.00	-	\$1,842,679.61	\$10,920,657.61	\$12,609,558.84	\$1,688,901.23

PV Analysis Summary (Gross to Gross)

Gross PV Debt Service Savings	1,408,104.18
Contingency or Rounding Amount	0.14
Net Present Value Benefit	\$1,408,104.32
Net PV Benefit / \$8,665,000 Refunded Principal	16.250%
Net PV Benefit / \$9,077,978 Refunding Principal	15.511%

Refunding Bond Information

Refunding Dated Date	10/17/2017
Refunding Delivery Date	10/17/2017

City of Yuba City

2017 Wastewater Revenue Refunding Bonds (Refunding of 2011 WW Rev Ref Bonds)

Private Placement - JPM (2.03%, Locked After Reso, No Call, Agg. Level DS)

Refunding Summary

Dated 10/17/2017 | Delivered 10/17/2017

Sources Of Funds

Par Amount of Bonds	\$9,077,978.00
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Total Sources	\$9,077,978.00
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Uses Of Funds

Deposit to Current Refunding Fund	8,952,977.86
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Costs of Issuance	125,000.00
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Rounding Amount	0.14
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Total Uses	\$9,077,978.00
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Flow of Funds Detail

State and Local Government Series (SLGS) rates for Date of OMP Candidates	9/05/2017
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Current Refunding Escrow Solution Method	Net Funded
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Total Cost of Investments	\$8,952,977.86
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Interest Earnings @ 1.118%	61,350.90
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Total Draws	\$9,014,328.76
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Issues Refunded And Call Dates

2011 WW Revenue Refunding Bonds - Final Numbers	6/01/2018
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Existing Bonds (detailed)

PV Analysis Summary (Gross to Gross)

Gross PV Debt Service Savings	1,408,104.18
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Contingency or Rounding Amount	0.14
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Net Present Value Benefit	\$1,408,104.32
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Net PV Benefit / \$8,665,000 Refunded Principal	16.250%
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Net PV Benefit / \$9,077,978 Refunding Principal	15.511%
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Bond Statistics

Average Life	9.999 Years
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Average Coupon	2.0300000%
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Net Interest Cost (NIC)	2.0300000%
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Bond Yield for Arbitrage Purposes	2.0301059%
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True Interest Cost (TIC)	2.0301059%
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All Inclusive Cost (AIC)	2.1860133%
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City of Yuba City

2017 Wastewater Revenue Refunding Bonds (Refunding of 2011 WW Rev Ref Bonds)

Private Placement - JPM (2.03%, Locked After Reso, No Call, Agg. Level DS)

Summary Of Bonds Refunded

	Issue	Purpose	Maturity	Type	of Bond	Coupon	Maturity Value	Call Date	Call Price
Dated 11/01/2011 Delivered 11/01/2011									
2011 WW Revenue Refunding Bonds - Final Numbers	Single Purpose	06/01/2018	Serial	Coupon	2.625%	160,000	-	-	-
2011 WW Revenue Refunding Bonds - Final Numbers	Single Purpose	06/01/2019	Serial	Coupon	2.900%	155,000	06/01/2018	100.000%	100.000%
2011 WW Revenue Refunding Bonds - Final Numbers	Single Purpose	06/01/2020	Serial	Coupon	3.150%	160,000	06/01/2018	100.000%	100.000%
2011 WW Revenue Refunding Bonds - Final Numbers	Single Purpose	06/01/2021	Serial	Coupon	3.300%	165,000	06/01/2018	100.000%	100.000%
2011 WW Revenue Refunding Bonds - Final Numbers	Single Purpose	06/01/2022	Serial	Coupon	3.400%	170,000	06/01/2018	100.000%	100.000%
2011 WW Revenue Refunding Bonds - Final Numbers	Single Purpose	06/01/2023	Serial	Coupon	3.500%	170,000	06/01/2018	100.000%	100.000%
2011 WW Revenue Refunding Bonds - Final Numbers	Single Purpose	06/01/2024	Serial	Coupon	3.650%	180,000	06/01/2018	100.000%	100.000%
2011 WW Revenue Refunding Bonds - Final Numbers	Single Purpose	06/01/2025	Serial	Coupon	3.750%	180,000	06/01/2018	100.000%	100.000%
2011 WW Revenue Refunding Bonds - Final Numbers	Single Purpose	06/01/2026	Serial	Coupon	3.875%	935,000	06/01/2018	100.000%	100.000%
2011 WW Revenue Refunding Bonds - Final Numbers	Single Purpose	06/01/2027	Serial	Coupon	4.000%	970,000	06/01/2018	100.000%	100.000%
2011 WW Revenue Refunding Bonds - Final Numbers	Single Purpose	06/01/2028	Serial	Coupon	4.100%	1,000,000	06/01/2018	100.000%	100.000%
2011 WW Revenue Refunding Bonds - Final Numbers	Single Purpose	06/01/2029	Serial	Coupon	4.200%	1,040,000	06/01/2018	100.000%	100.000%
2011 WW Revenue Refunding Bonds - Final Numbers	Single Purpose	06/01/2030	Serial	Coupon	4.250%	1,080,000	06/01/2018	100.000%	100.000%
2011 WW Revenue Refunding Bonds - Final Numbers	Single Purpose	06/01/2031	Serial	Coupon	4.300%	1,125,000	06/01/2018	100.000%	100.000%
2011 WW Revenue Refunding Bonds - Final Numbers	Single Purpose	06/01/2032	Serial	Coupon	4.350%	1,175,000	06/01/2018	100.000%	100.000%
	Subtotal	-	-	-	-	-	\$8,665,000	-	-
	Total	-	-	-	-	-	\$8,665,000	-	-

City of Yuba City

2017 Wastewater Revenue Refunding Bonds (Refunding of 2011 WW Rev Ref Bonds)

Private Placement - JPM (2.03%, Locked After Reso, No Call, Agg. Level DS)

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
06/01/2032	Term 1 Coupon	2.030%	2.030%	9,077,978.00	100.000%	9,077,978.00
Total	-	-	-	\$9,077,978.00	-	\$9,077,978.00

Bid Information

Par Amount of Bonds	\$9,077,978.00
Gross Production	\$9,077,978.00
Bid (100.000%)	9,077,978.00
Total Purchase Price	\$9,077,978.00
Bond Year Dollars	\$90,772.40
Average Life	9.999 Years
Average Coupon	2.0300000%
Net Interest Cost (NIC)	2.0300000%
True Interest Cost (TIC)	2.0301059%

City of Yuba City

2017 Wastewater Revenue Refunding Bonds (Refunding of 2011 WW Rev Ref Bonds)

Private Placement - JPM (2.03%, Locked After Reso, No Call, Agg. Level DS)

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
06/01/2018	217,749.00	2.030%	113,213.92	330,962.92
06/01/2019	148,401.00	2.030%	179,113.31	327,514.31
06/01/2020	149,175.00	2.030%	176,096.86	325,271.86
06/01/2021	154,036.00	2.030%	173,044.07	327,080.07
06/01/2022	172,600.00	2.030%	169,823.40	342,423.40
06/01/2023	154,043.00	2.030%	166,413.32	320,456.32
06/01/2024	157,353.00	2.030%	163,269.54	320,622.54
06/01/2025	924,182.00	2.030%	156,203.26	1,080,385.26
06/01/2026	939,001.00	2.030%	137,367.55	1,076,368.55
06/01/2027	959,658.00	2.030%	118,201.52	1,077,859.52
06/01/2028	976,065.00	2.030%	98,637.62	1,074,702.62
06/01/2029	994,241.00	2.030%	78,731.73	1,072,972.73
06/01/2030	1,018,159.00	2.030%	58,427.85	1,076,586.85
06/01/2031	1,032,660.00	2.030%	37,686.01	1,070,346.01
06/01/2032	1,080,655.00	2.030%	16,449.65	1,097,104.65
Total	\$9,077,978.00	-	\$1,842,679.61	\$10,920,657.61

Yield Statistics

Bond Year Dollars	\$90,772.40
Average Life	9.999 Years
Average Coupon	2.0300000%
Net Interest Cost (NIC)	2.0300000%
True Interest Cost (TIC)	2.0301059%
Bond Yield for Arbitrage Purposes	2.0301059%
All Inclusive Cost (AIC)	2.1860133%

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Net Interest Cost	2.0300000%
Weighted Average Maturity	9.999 Years

City of Yuba City

2017 Wastewater Revenue Refunding Bonds (Refunding of 2011 WW Rev Ref Bonds)

Private Placement - JPM (2.03%, Locked After Reso, No Call, Agg. Level DS)

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
10/17/2017	-	-	-	-
12/01/2017	142,958.00	2.030%	22,523.47	165,481.47
06/01/2018	74,791.00	2.030%	90,690.45	165,481.45
12/01/2018	73,826.00	2.030%	89,931.32	163,757.32
06/01/2019	74,575.00	2.030%	89,181.99	163,756.99
12/01/2019	74,211.00	2.030%	88,425.05	162,636.05
06/01/2020	74,964.00	2.030%	87,671.81	162,635.81
12/01/2020	76,629.00	2.030%	86,910.93	163,539.93
06/01/2021	77,407.00	2.030%	86,133.14	163,540.14
12/01/2021	85,864.00	2.030%	85,347.46	171,211.46
06/01/2022	86,736.00	2.030%	84,475.94	171,211.94
12/01/2022	76,633.00	2.030%	83,595.57	160,228.57
06/01/2023	77,410.00	2.030%	82,817.75	160,227.75
12/01/2023	78,279.00	2.030%	82,032.04	160,311.04
06/01/2024	79,074.00	2.030%	81,237.50	160,311.50
12/01/2024	459,758.00	2.030%	80,434.90	540,192.90
06/01/2025	464,424.00	2.030%	75,768.36	540,192.36
12/01/2025	467,130.00	2.030%	71,054.46	538,184.46
06/01/2026	471,871.00	2.030%	66,313.09	538,184.09
12/01/2026	477,406.00	2.030%	61,523.60	538,929.60
06/01/2027	482,252.00	2.030%	56,677.92	538,929.92
12/01/2027	485,568.00	2.030%	51,783.07	537,351.07
06/01/2028	490,497.00	2.030%	46,854.55	537,351.55
12/01/2028	494,610.00	2.030%	41,876.01	536,486.01
06/01/2029	499,631.00	2.030%	36,855.72	536,486.72
12/01/2029	506,509.00	2.030%	31,784.46	538,293.46
06/01/2030	511,650.00	2.030%	26,643.39	538,293.39
12/01/2030	513,723.00	2.030%	21,450.15	535,173.15
06/01/2031	518,937.00	2.030%	16,235.86	535,172.86
12/01/2031	540,655.00	2.030%	10,968.65	551,623.65
06/01/2032	540,000.00	2.030%	5,481.00	545,481.00
Total	\$9,077,978.00	-	\$1,842,679.61	\$10,920,657.61

Yield Statistics

Bond Year Dollars	\$90,772.40
Average Life	9.999 Years
Average Coupon	2.0300000%
Net Interest Cost (NIC)	2.0300000%
True Interest Cost (TIC)	2.0301059%
Bond Yield for Arbitrage Purposes	2.0301059%
All Inclusive Cost (AIC)	2.1860133%

IRS Form 8038

Net Interest Cost	2.0300000%
Weighted Average Maturity	9.999 Years

City of Yuba City

2017 Wastewater Revenue Refunding Bonds (Refunding of 2011 WW Rev Ref Bonds)

Private Placement - JPM (2.03%, Locked After Reso, No Call, Agg. Level DS)

Aggregate Debt Service

DATE	Existing Bonds	2017 WW Rev Ref Bonds (2011) 170906 (JPM, 2.03%)	TOTAL
06/01/2018	1,970,684.48	330,962.92	2,301,647.40
06/01/2019	1,974,132.24	327,514.31	2,301,646.55
06/01/2020	1,976,374.34	325,271.86	2,301,646.20
06/01/2021	1,974,567.02	327,080.07	2,301,647.09
06/01/2022	1,959,222.96	342,423.40	2,301,646.36
06/01/2023	1,981,190.29	320,456.32	2,301,646.61
06/01/2024	1,981,024.40	320,622.54	2,301,646.94
06/01/2025	1,221,260.91	1,080,385.26	2,301,646.17
06/01/2026	1,225,278.06	1,076,368.55	2,301,646.61
06/01/2027	1,223,786.89	1,077,859.52	2,301,646.41
06/01/2028	1,226,943.93	1,074,702.62	2,301,646.55
06/01/2029	1,228,673.66	1,072,972.73	2,301,646.39
06/01/2030	1,225,059.19	1,076,586.85	2,301,646.04
06/01/2031	1,231,300.71	1,070,346.01	2,301,646.72
06/01/2032	1,198,398.52	1,097,104.65	2,295,503.17
Total	\$23,597,897.60	\$10,920,657.61	\$34,518,555.21

Par Amounts Of Selected Issues

Existing Bonds	23,597,897.60
2017 WW Rev Ref Bonds (2011) 1	9,077,978.00
TOTAL	32,675,875.60

City of Yuba City

2011 WW Revenue Refunding Bonds - Final Numbers

Debt Service To Maturity And To Call

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
10/17/2017	-	-	-	-	-	-	-
12/01/2017	-	174,664.38	174,664.38	-	-	174,664.38	174,664.38
06/01/2018	8,665,000.00	174,664.38	8,839,664.38	160,000.00	2.625%	174,664.38	334,664.38
12/01/2018	-	-	-	-	-	172,564.38	172,564.38
06/01/2019	-	-	-	155,000.00	2.900%	172,564.38	327,564.38
12/01/2019	-	-	-	-	-	170,316.88	170,316.88
06/01/2020	-	-	-	160,000.00	3.150%	170,316.88	330,316.88
12/01/2020	-	-	-	-	-	167,796.88	167,796.88
06/01/2021	-	-	-	165,000.00	3.300%	167,796.88	332,796.88
12/01/2021	-	-	-	-	-	165,074.38	165,074.38
06/01/2022	-	-	-	170,000.00	3.400%	165,074.38	335,074.38
12/01/2022	-	-	-	-	-	162,184.38	162,184.38
06/01/2023	-	-	-	170,000.00	3.500%	162,184.38	332,184.38
12/01/2023	-	-	-	-	-	159,209.38	159,209.38
06/01/2024	-	-	-	180,000.00	3.650%	159,209.38	339,209.38
12/01/2024	-	-	-	-	-	155,924.38	155,924.38
06/01/2025	-	-	-	180,000.00	3.750%	155,924.38	335,924.38
12/01/2025	-	-	-	-	-	152,549.38	152,549.38
06/01/2026	-	-	-	935,000.00	3.875%	152,549.38	1,087,549.38
12/01/2026	-	-	-	-	-	134,433.75	134,433.75
06/01/2027	-	-	-	970,000.00	4.000%	134,433.75	1,104,433.75
12/01/2027	-	-	-	-	-	115,033.75	115,033.75
06/01/2028	-	-	-	1,000,000.00	4.100%	115,033.75	1,115,033.75
12/01/2028	-	-	-	-	-	94,533.75	94,533.75
06/01/2029	-	-	-	1,040,000.00	4.200%	94,533.75	1,134,533.75
12/01/2029	-	-	-	-	-	72,693.75	72,693.75
06/01/2030	-	-	-	1,080,000.00	4.250%	72,693.75	1,152,693.75
12/01/2030	-	-	-	-	-	49,743.75	49,743.75
06/01/2031	-	-	-	1,125,000.00	4.300%	49,743.75	1,174,743.75
12/01/2031	-	-	-	-	-	25,556.25	25,556.25
06/01/2032	-	-	-	1,175,000.00	4.350%	25,556.25	1,200,556.25
Total	\$8,665,000.00	\$349,328.76	\$9,014,328.76	\$8,665,000.00	-	\$3,944,558.84	\$12,609,558.84

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	10/17/2017
Average Life	10.608 Years
Average Coupon	4.1478819%
Weighted Average Maturity (Par Basis)	10.608 Years
Weighted Average Maturity (Original Price Basis)	10.608 Years

Refunding Bond Information

Refunding Dated Date	10/17/2017
Refunding Delivery Date	10/17/2017

City of Yuba City

2017 Wastewater Revenue Refunding Bonds (Refunding of 2011 WW Rev Ref Bonds)

Private Placement - JPM (2.03%, Locked After Reso, No Call, Agg. Level DS)

Current Refunding Escrow

Date	Principal	Rate	Interest	Receipts	Disbursements	Cash Balance
10/17/2017	-	-	-	0.86	-	0.86
12/01/2017	174,460.00	0.950%	204.33	174,664.33	174,664.38	0.81
06/01/2018	8,778,517.00	1.120%	61,146.57	8,839,663.57	8,839,664.38	-
Total	\$8,952,977.00	-	\$61,350.90	\$9,014,328.76	\$9,014,328.76	-

Investment Parameters

Investment Model [PV, GIC, or Securities]	Securities
Default investment yield target	Bond Yield

Cash Deposit	0.86
Cost of Investments Purchased with Bond Proceeds	8,952,977.00
Total Cost of Investments	\$8,952,977.86

Target Cost of Investments at bond yield	\$8,903,495.61
Actual positive or (negative) arbitrage	(49,482.25)

Yield to Receipt	1.1180709%
Yield for Arbitrage Purposes	2.0301059%

State and Local Government Series (SLGS) rates for	9/05/2017
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