



AGENDA

REGULAR MEETING OF THE LAKEPORT CITY COUNCIL

(ALSO MEETS AS THE CITY OF LAKEPORT MUNICIPAL SEWER DISTRICT, THE LAKEPORT INDUSTRIAL DEVELOPMENT AUTHORITY, THE MUNICIPAL FINANCING AGENCY OF LAKEPORT and THE SUCCESSOR AGENCY TO THE LAKEPORT REDEVELOPMENT AGENCY)

Tuesday, April 19, 2016

City Council Chambers, 225 Park Street, Lakeport, California 95453

Any person may speak for three (3) minutes on any agenda item; however, total public input per item is not to exceed 15 minutes, extended at the discretion of the City Council. This rule does not apply to public hearings. Non-timed items may be taken up at any unspecified time.

CLOSED SESSION:

5:00 P.M.

Public Employee Performance Evaluation (Gov. Code § 54957): City Manager.

OPEN SESSION:

A. Report Out of Closed Session:

B. Labor Negotiator(s):

Approve appointment of negotiator(s) for contract negotiations with the City Manager.

CLOSED SESSION:

Conference with Labor Negotiator (Gov. Code § 54957.6)

Name of City Negotiator to Attend Closed Session: To be determined (see Agenda Item B above); Unrepresented Employee: City Manager.

I. CALL TO ORDER & ROLL CALL:

6:00 p.m.

II. PLEDGE OF ALLEGIANCE:

III. ACCEPTANCE OF AGENDA:

Urgency Items:

Move to accept agenda as posted, or move to add or delete items.

To add item, Council is required to make a majority decision that an urgency exists (as defined in the Brown Act) and a 2/3rds determination that the need to take action arose subsequent to the Agenda being posted.

IV. CONSENT AGENDA:

The following Consent Agenda items are expected to be routine and noncontroversial. They will be acted upon by the Council at one time without any discussion. Any Council Member may request that any item be removed from the Consent Agenda for discussion under the regular Agenda. Removed items will be considered following the Consent Calendar portion of this agenda.

A. Ordinances:

Waive reading except by title, of any ordinances under consideration at this meeting for either introduction or passage per *Government Code* Section 36934.

B. Minutes:

Approve minutes of the regular City Council meeting of April 5, 2016.

C. Warrants:

Approve the warrant register of April 14, 2016.

D. Application 2016-010:

Approve Application No. 2016-010 with staff recommendations for the annual Cardboard and Duct Tape Regatta to be held on July 04, 2016.

E. Westshore Pool:

Approve the proposed Agreement between the City and the County of Lake to share the costs incurred to reopen the Westshore Pool.

F. Lake County Marketing Program:

Approve the proposed amendment No. 1 to the Agreement between the City and the County of Lake for participation in the Lake County Marketing Program

G. Contract Modification:

Approve the amendment to the professional services agreement for Current Consulting for the provision of City Engineering services and authorize the City Manager to execute the amendment.

V. PUBLIC PRESENTATIONS/REQUESTS:

A. Citizen Input:

Any person may speak for 3 minutes about any subject within the authority of the City Council, provided that the subject is not already on tonight's agenda. Persons wishing to address the City Council are required to complete a Citizen's Input form and submit it to the City Clerk prior to the meeting being called to order. While not required, please state your name and address for the record. NOTE: Per Government Code §54954.3(a), the City Council cannot take action or express a consensus of approval or disapproval on any public comments regarding matters which do not appear on the printed agenda.

VI. PUBLIC HEARING

- A. Traffic Safety Advisory Committee: Adopt the proposed Ordinance of the City Council of the City of Lakeport Amending Chapter 2.22 of Title 2 of the Lakeport Municipal Code Regarding the Traffic Safety Advisory Committee.

VII. COUNCIL BUSINESS:

A. Finance Director

1. Municipal Financing Agency of Lakeport/Lakeport City Council: USDA Water Projects Loan Closing

The City Council is being asked to:

1. Adopt a proposed Resolution adopting the USDA RUS Bulletin 1780-27 Loan Resolution, and
2. Adopt a proposed Resolution Approving a Trust Agreement, Installment Sale Agreement and Grant agreement and Certain other Documents in Connection with the Authorization, Preparation, Sale and Delivery of Municipal Financing Agency of Lakeport, Series 2016 Water Enterprise Revenue Bonds, and Authorizing and Directing Certain Actions with Respect thereto.

The Municipal Financing Agency of Lakeport Board is being asked to:

1. Adopt a proposed JPA Resolution Approving a Trust Agreement, Installment Sale Agreement, Assignment Agreement and Certain other Documents in Connection with the Authorization, Preparation, Sale and Delivery of Municipal Financing Agency of Lakeport, Series 2016 Water Enterprise Revenue Bonds, and Authorizing and Directing Certain Actions with Respect thereto.

2. Consultant Selection:

Select a consulting firm to provide public opinion research and feasibility assessment related to a possible revenue ballot measure, authorize increased budget appropriations from the general fund reserve in the amount of \$25,000.00, and approve and authorize the City Manager to negotiate final terms with the firm and execute a professional services agreement with said firm.

3. Loan Committee

Relieve current Council-appointed membership to the City of Lakeport Loan Committee of further duties or commitments to serve, and authorize the City Manager or designee to appoint membership at his/her discretion.

B. Community Development Director

1. Bid Award:

Approve a resolution awarding the contract for the Downtown Improvement Project Phase II to Granite Construction and authorizing the City Manager to execute the agreement with associated Construction Change Order No. 1 and approve the request for substitution of electrical subcontractor.

VIII. CITY COUNCIL COMMUNICATIONS:

- A. Miscellaneous Reports, if any:

IX. ADJOURNMENT:

Adjourn

Materials related to an item on this Agenda submitted to the Council after distribution of the agenda packet are available for public inspection in the City Clerk's Office at 225 Park Street, Lakeport, California, during normal business hours. Such documents are also available on the City of Lakeport's website, www.cityoflakeport.com, subject to staff's ability to post the documents before the meeting.

The City of Lakeport, in complying with the *Americans with Disabilities Act (ADA)*, requests individuals who require special accommodations to access, attend and/or participate in the City meeting due to disability, to please contact the City Clerk's Office, (707) 263-5615, 72 hours prior to the scheduled meeting to ensure reasonable accommodations are provided.

Hilary Britton, Deputy City Clerk

MINUTES

REGULAR MEETING OF THE LAKEPORT CITY COUNCIL

(ALSO MEETS AS THE CITY OF LAKEPORT MUNICIPAL SEWER DISTRICT, THE LAKEPORT INDUSTRIAL DEVELOPMENT AUTHORITY, THE MUNICIPAL FINANCING AGENCY OF LAKEPORT and THE SUCCESSOR AGENCY TO THE LAKEPORT REDEVELOPMENT AGENCY)

Tuesday, April 5, 2016

CLOSED SESSION:

5:30 P.M.

Conference with Real Property Negotiator (Government Code § 54956.8):
Property Address: Utility Easement concerning 818 Lakeport Blvd, Lakeport (APN 025-472-05); Agency Negotiator: Margaret Silveira, City Manager; Negotiating Parties: City of Lakeport and Matt Riveras; Under Negotiation: Price and Terms of Payment

REPORT OUT OF CLOSED SESSION:

Mayor Spillman advised there was nothing to report out of closed session.

I. CALL TO ORDER & ROLL CALL:

Mayor Spillman called the regular meeting of the City Council of the City of Lakeport to order at 6:05 p.m. with Council Member Turner, Council Member Parlet, Council Member Mattina, and Council Member Scheel present.

II. PLEDGE OF ALLEGIANCE:

The Pledge of allegiance was led by Suzanne Lyons.

III. ACCEPTANCE OF AGENDA:

A motion was made by Council Member Scheel, seconded by Council Member: Turner, and unanimously carried by voice vote to accept agenda as posted.

Urgency Items:

There were no urgency items.

IV. CONSENT AGENDA:

A. Ordinances:

Waive reading except by title, of any ordinances under consideration at this meeting for either introduction or passage per *Government Code* Section 36934.

B. Minutes:

Approve minutes of the regular City Council meeting of March 15, 2016.

C. Warrants:

Approve the warrant registers of March 17, 2016 and March 30, 2016.

D. Application 2016-006:

Approve Application No. 2016-006 with staff recommendations for the annual Lake County Aids Walk to be held on September 10, 2016.

E. Application 2016-007:

Approve Application 2016-007 with staff recommendations for the annual Wood & Glory Classic Boating Event to be held in Library Park on June 5, 2016.

F. Application 2016-008:

Approve Application 2016-008 with staff recommendations for the Walk Talk Autism event to be held at the Library Park Gazebo on April 30, 2016.

G. Application 2016-009:

Approve Application 2016-009 with staff recommendations for the League of California Cities, Redwood Empire Division Meeting Reception to be held at the Lakeport Yacht Club lawn on May 20, 2016.

H. PEG TV Agreement Amendment #1:

Approve an amendment to the agreement between the City of Clearlake, City of Lakeport and the County of Lake relative to operation of a local public, educational, governmental cable television channel, referred to as the PEG Channel.

Vote on Consent Agenda:

A motion was made by Council Member Mattina, seconded by Council Member: Turner, and unanimously carried by voice vote to approve the Consent Agenda, Items A-H.

V. PUBLIC PRESENTATIONS/REQUESTS:

A. Citizen Input:

Nancy Ruzicka asked that City Public Works clean up Main Street, 11th Street and Lakeport Boulevard for anticipated tourists as a result the SF Chronicle visit on Sunday.

Suzanne Lyons commented on the effect that the Friday closures of City offices has on Lakeport businesses.

- B. Proclamation: Mayor Spillman presented a Proclamation designating the Month of April, 2016, as Sexual Assault Awareness Month to representatives from Lake Family Resource Center
- C. Proclamation: Mayor Spillman presented a Proclamation designating the Month of April, 2016, as Child Abuse Prevention Month to representatives from Lake County Office of Education.
- D. Presentation: Lieutenant Ferguson gave a presentation regarding Police Department volunteer hours in 2015. Mayor Spillman commended volunteer Greg Scott and all the volunteers for their commitment to the Lakeport Police Department.

VI. COUNCIL BUSINESS:

- A. City Clerk
 - 1. Ordinance Introduction: City Clerk Buendia gave a report regarding the proposed ordinance. A motion was made by Council Member Scheel, seconded by Council Member Parlet, and unanimously carried by voice vote to Introduce an Ordinance of the City Council of the City of Lakeport Amending Chapter 2.22 of Title 2 of the Lakeport Municipal Code Regarding the Traffic Safety Advisory Committee and set a public hearing for April 19, 2016.
- B. Community Development Director
 - 1. Bid Award: Lakefront Revitalization Planning Grant
 - Community Development Director Ingram reported on the bid award.
 - Nancy Ruzicka commented on the Lakefront Revitalization Plan and referenced past plans.
 - Suzanne Lyons commented on the Lakefront Revitalization Plan and Parks and Recreation Committee involvement.
 - Nicole Wagner asked questions about the grant.
 - Suzanne Russell spoke in favor of including an implementation plan or recommendation as part of the scope of work of this Plan.
 - A motion was made by Council Member Turner, seconded by Council Member Mattina, and unanimously carried by voice vote to approve the Professional Services Agreement between the City of Lakeport and the Design Workshop, Inc. for the development and implementation of the Lakeport Lakefront Revitalization Plan (LLRP) and authorize the City Manager to sign the agreement on behalf of the City of Lakeport.
- C. Finance Director
 - 1. Request for Proposals (RFP): Finance Director Buffalo gave a report related to the city general fund and on a request for proposals to select a consultant. Suzanne Lyons commented about Measure I and other taxes.
 - A motion was made by Council Member Scheel, seconded by Council Member Turner, and unanimously carried by voice vote to consider preparation for a possible revenue ballot measure and authorize staff to issue two Requests for Proposal (RFP) to:
 - 1. Select a consultant to assist with a feasibility assessment and
 - 2. Select a consultant to develop and implement an education and outreach program.

VII. CITY COUNCIL COMMUNICATIONS:

- A. Miscellaneous Reports, if any:
 - Community Development Director Ingram will be presenting the Downtown Improvement Project bid award at the April 19, 2016 meeting. The bids received came in too high, so the City Engineer is working with bidders to lower the costs.
 - Chief Rasmussen advised that the road closure on Hartley will continue through to early morning 04/06/2016 due to vehicle into a power pole.

City Manager Silveira advised that a flyer for the Town Hall meeting in the April will be in this month's water bills.

Council Member Parlet reported on the efficacy of the City choosing to be self-insured, and joining together with other cities to lower costs. He expressed concerns from citizens regarding visibility at intersections, and will be forwarding those concerns to the Traffic Safety Advisory Committee.

Council Member Scheel participated in the Westside Park Work Day with the Lakeport Rotary and Kiwanis to assist with Westside Park improvements. He will be attending League meetings, APC and LTA, in the next 2 weeks, as well as a LEEF event Dinner/Dance on April 16, 2016.

Council Member Spillman will attend the Westside Park Committee board meeting and a Neighborhood Watch meeting on April 6, 2016.

Mayor Spillman adjourned the meeting at: 8:30 p.m.

VIII. ADJOURNMENT:

Marc Spillman, Mayor

ATTEST:

Kelly Buendia, City Clerk



Lakeport, CA

Check Register

Packet: APPKT00189 - 04-14-16 WARRANTS

By Check Number

Vendor Number	Vendor Name	Payment Date	Payment Type	Discount Amount	Payment Amount	Number
Bank Code: AP BANK-AP BANK						
2642	3M	04/14/2016	Regular	0.00	1,458.01	48989
00108	ACME RIGGING & SUPPLY COMPANY	04/14/2016	Regular	0.00	752.13	48990
00371	ALPHA ANALYTICAL LABORATORIES	04/14/2016	Regular	0.00	1,596.00	48991
	Void	04/14/2016	Regular	0.00	0.00	48992
00123	AQUA PRODUCTS	04/14/2016	Regular	0.00	41.52	48993
00109	ARAMARK UNIFORM SERVICES	04/14/2016	Regular	0.00	305.21	48994
2177	ARROW FENCING, INC.	04/14/2016	Regular	0.00	489.08	48995
2351	AT&T	04/14/2016	Regular	0.00	2,176.17	48996
	Void	04/14/2016	Regular	0.00	0.00	48997
3034	BAILEY'S, INC.	04/14/2016	Regular	0.00	268.01	48998
2058	BIT SCULPTOR	04/14/2016	Regular	0.00	168.67	48999
2783	BRIAN DENTON	04/14/2016	Regular	0.00	400.00	49000
2365	CA BLDG STANDARDS COMMISSION	04/14/2016	Regular	0.00	88.56	49001
2705	CAL CPA	04/14/2016	Regular	0.00	499.00	49002
1697	CLEARLAKE LAVA, INC.	04/14/2016	Regular	0.00	348.30	49003
1124	COMMUNITY DEVELOPMENT SERVICE	04/14/2016	Regular	0.00	1,625.00	49004
2685	CONDOR EARTH TECHNOLOGIES INC.	04/14/2016	Regular	0.00	783.75	49005
00130	COUNTY OF LAKE-ANIMAL CONTROL	04/14/2016	Regular	0.00	575.50	49006
00132	COUNTY OF LAKE-SPECIAL DIST	04/14/2016	Regular	0.00	105,049.64	49007
3197	CXT INCORPORATED	04/14/2016	Regular	0.00	61,104.64	49008
1883	DEBRA ENGLAND	04/14/2016	Regular	0.00	675.00	49009
0331	DEEP VALLEY SECURITY	04/14/2016	Regular	0.00	142.95	49010
00139	DEPT OF CONSERVATION	04/14/2016	Regular	0.00	370.68	49011
1127	DEPT OF JUSTICE	04/14/2016	Regular	0.00	66.00	49012
3196	DEVCO HEATING AND AIR	04/14/2016	Regular	0.00	159.00	49013
00144	DUNKEN PUMPS	04/14/2016	Regular	0.00	302.67	49014
2543	ENTERPRISE RENT-A-CAR	04/14/2016	Regular	0.00	196.44	49015
1982	EUREKA OXYGEN COMPANY	04/14/2016	Regular	0.00	180.89	49016
1080	FED EX	04/14/2016	Regular	0.00	25.68	49017
2421	FERRELLGAS	04/14/2016	Regular	0.00	314.88	49018
2827	G & G PRINTING SERVICES	04/14/2016	Regular	0.00	36.72	49019
1754	GRANITE CONSTRUCTION COMPANY	04/14/2016	Regular	0.00	4,000.50	49020
00268	HACH CHEMICAL COMPANY	04/14/2016	Regular	0.00	625.95	49021
2393	HARTFORD RETIREE PREMIUM ACCT	04/14/2016	Regular	0.00	18,891.03	49022
2103	HERTZ EQUIPMENT RENTAL	04/14/2016	Regular	0.00	599.40	49023
2015	HOME DEPOT CREDIT SERVICES	04/14/2016	Regular	0.00	237.55	49024
2514	INDUSTRIAL ELECTRIC MOTORS	04/14/2016	Regular	0.00	7,731.54	49025
00167	INTERSTATE BATTERY SYSTEM	04/14/2016	Regular	0.00	125.90	49026
1146	KELSEYVILLE LUMBER	04/14/2016	Regular	0.00	389.15	49027
3200	KURT A. ACKERMAN	04/14/2016	Regular	0.00	2,100.00	49028
00171	LAKE COUNTY CHAMBER OF COMMER	04/14/2016	Regular	0.00	60.00	49029
00364	LAKE COUNTY ELECTRIC SUPPLY	04/14/2016	Regular	0.00	118.17	49030
2043	LEXIS NEXIS RISK SOLUTIONS	04/14/2016	Regular	0.00	30.00	49031
1970	MC MASTER-CARR SUPPLY CO.	04/14/2016	Regular	0.00	9.94	49032
00354	MEDIACOM	04/14/2016	Regular	0.00	1,485.80	49033
2701	MICHAEL SOBIERAJ	04/14/2016	Regular	0.00	131.00	49034
2356	MYERS STEVENS & TOOHEY & CO.	04/14/2016	Regular	0.00	193.50	49035
3157	NORTHERN CALIFORNIA GLOVE	04/14/2016	Regular	0.00	414.31	49036
1899	OE PUBLIC & MISC EE'S	04/14/2016	Regular	0.00	10,931.00	49037
00387	PACE ENGINEERING, INC.	04/14/2016	Regular	0.00	84,750.07	49038
00113	PACE SUPPLY #03391-00	04/14/2016	Regular	0.00	7,299.67	49039
1228	PAVEMENT ENGINEERING INC.	04/14/2016	Regular	0.00	5,135.00	49040
00217	PG&E VO248104	04/14/2016	Regular	0.00	1,590.81	49041
00221	PITNEY BOWES - SUPPLIES	04/14/2016	Regular	0.00	214.93	49042

Check Register

Packet: APPKT00189-04-14-16 WARRANTS

Vendor Number	Vendor Name	Payment Date	Payment Type	Discount Amount	Payment Amount	Number
2252	PLAZA PAINT & SUPPLIES	04/14/2016	Regular	0.00	180.10	49043
1130	POLESTAR COMPUTERS	04/14/2016	Regular	0.00	1,692.75	49044
00226	R.E.M.I.F.	04/14/2016	Regular	0.00	30,663.10	49045
3198	RICHELE RAY	04/14/2016	Regular	0.00	20.00	49046
1799	RICH'S OFF-ROAD RECOVERY	04/14/2016	Regular	0.00	645.00	49047
2396	RICOH, USA	04/14/2016	Regular	0.00	1,620.12	49048
1837	ROGER WHEELER LANDSCAPING	04/14/2016	Regular	0.00	250.00	49049
3199	RON KEAS	04/14/2016	Regular	0.00	100.00	49050
3179	S & K AUTOMOTIVE & TOWING	04/14/2016	Regular	0.00	160.00	49051
2137	SCOTT WARNOCK	04/14/2016	Regular	0.00	500.00	49052
1108	SEARS COMMERCIAL ONE	04/14/2016	Regular	0.00	42.99	49053
2383	SHRED-IT USA LLC	04/14/2016	Regular	0.00	42.67	49054
00400	SIERRA CHEMICAL COMPANY	04/14/2016	Regular	0.00	1,650.74	49055
2832	STANDARD PRINTING COMPANY	04/14/2016	Regular	0.00	938.79	49056
1097	STAPLES CREDIT PLAN	04/14/2016	Regular	0.00	861.17	49057
3035	SUTTER LAKESIDE HOSPITAL	04/14/2016	Regular	0.00	35.00	49058
3133	SYAR INDUSTRIES, INC.	04/14/2016	Regular	0.00	3,785.20	49059
2004	THE UPS STORE #5161	04/14/2016	Regular	0.00	97.05	49060
2119	TRI-CITIES ANSWERING SERVICE	04/14/2016	Regular	0.00	176.72	49061
1101	UNDERGROUND SERVICE ALERT	04/14/2016	Regular	0.00	109.50	49062
3063	URBAN TREE FARM NURSERY	04/14/2016	Regular	0.00	2,261.78	49063
2510	US POSTMASTER - ARIZONA	04/14/2016	Regular	0.00	903.68	49064
1310	USA BLUE BOOK	04/14/2016	Regular	0.00	285.66	49065
2815	VALLEY TOXICOLOGY SERVICES INC	04/14/2016	Regular	0.00	85.00	49066
2109	VERIZON WIRELESS	04/14/2016	Regular	0.00	342.15	49067
3194	WEST ALLIS BLUE	04/14/2016	Regular	0.00	7,999.00	49068
00164	WESTGATE PETROLEUM CO., INC.	04/14/2016	Regular	0.00	2,125.63	49069
00403	WILLDAN FINANCIAL SERVICES	04/14/2016	Regular	0.00	1,885.21	49070
2431	WINE COUNTRY COMPRESSORS	04/14/2016	Regular	0.00	689.80	49071

Bank Code AP BANK Summary

Payment Type	Payable Count	Payment Count	Discount	Payment
Regular Checks	176	81	0.00	387,414.13
Manual Checks	0	0	0.00	0.00
Voided Checks	0	2	0.00	0.00
Bank Drafts	0	0	0.00	0.00
EFT's	0	0	0.00	0.00
	176	83	0.00	387,414.13

Fund Summary

Fund	Name	Period	Amount
998	POOLED CASH	4/2016	387,414.13
			387,414.13



225 Park Street
Lakeport, CA 95453

CITY OF LAKEPORT

RECEIVED

MAR 28 2016

Phone: (707) 263-5015, Ext. 12
Fax: (707) 263-8584
CITY OF LAKEPORT
OFFICE OF CITY CLERK

APPLICATION FOR USE OF PUBLIC AREAS

Please note: City Council meetings are held the **FIRST** and **THIRD TUESDAY** of the month. Application forms require City Council approval and must be completed and submitted to the City Clerk **at least ten working days** before the Council meeting at which they will be considered.

This section to be completed by City:

Application Received (Date): <u>3/28/16</u>	Application No. <u>2016-010</u>
<input checked="" type="checkbox"/> \$15.00 Application Fee Paid <u>LR</u>	For Council Meeting of (Date): <u>4/19/2016</u>

This section to be completed by Applicant (please answer all questions):

Applicant Name: <u>LAKEPORT YACHT CLUB</u>		Organization Name: <u>LAKEPORT YACHT CLUB</u>	
Address: <u>EDWARD POSTER</u> <u>1580 MC MADON ROAD, LAKEPORT</u>		Address: <u>15 5th ST. LAKEPORT, CA. 95453</u>	
Home Phone: <u>707 263-1871</u>	Work Phone: <u>SAME</u>	Mobile Phone:	
Email Address: <u>EPOSTER352@AOL.COM</u>			
Other Contact:		Phone for Other Contact:	
Organization is: <input checked="" type="checkbox"/> Nonprofit Organization <input type="checkbox"/> For Profit Organization			

Name of Event: <u>CARD BOATS + DUCK TIRE REGATTA</u>		
Description of Event: <u>SILENT CARD BOATS</u>		
Specific Location of Event (Map Must be Attached): <u>SWIMMING BEACH BY 1ST ST. PIER</u>		
Does this use involve public right of way, streets, or sidewalk? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, please indicate specific location:		
If requesting closure of streets, sidewalk, etc., please describe notification procedure for affected businesses and/or residences:		
Date(s) of Event: <u>JULY 4, 2016</u>	Total Number of Days: <u>1</u>	Set Up Time: <u>9:30 AM</u> Time of Event: <u>11:00 AM</u> Tear Down Time: <u>12:30 P.M.</u>

Specify anticipated number of people (both participants and the public):

Will any vendors be present? Yes ☐ No ☒ Will any food booths be present? Yes ☐ No ☒

Requirements:

- ☒ Electricity (cannot be guaranteed by City)
- ☐ Barricades
- ☐ Street/Sidewalk Closures
- ☐ No irrigation in park prior to event
- ☐ Other (please specify):

Coordination of these requirements must be made through the Public Works Department: (707) 263-0751

Specific City Staff Needs:

- ☐ Police
- ☐ Public Works
- ☒ Parks TO OPEN 1ST ST & CLOSURE FOR ELECTRIC
- ☐ Other (please specify):

The City reserves the right to bill applicant for related City costs.

Insurance Information:

Specify Insurance Company:

Policy Number:

Expiration Date:

Limits of Coverage:

INSURANCE CERTIFICATE REQUIRED

Note: The insurance certificate provided to the City by your organization's insurance company must name the City of Lakeport as an additional insured for the event specified in this application and must include a copy of any endorsements. The minimum coverage amount required is \$2,000,000. The certificate and endorsements must also be in a form acceptable to risk management and available for review 15 working days prior to the scheduled event.

USE OF ALCOHOL: Is a permit for alcoholic beverages requested? ☐ Yes ☒ No

If you have checked yes, you must obtain a signed permit from the Lakeport Police Department and attach it to this application. This will allow for consumption of alcoholic beverages in connection with the event but will NOT allow for the SALE of alcoholic beverages. If alcoholic beverages are going to be sold or included with the price of any ticket or admission to the event, then the applicant is required to obtain a one-day license from the California Department of Alcoholic Beverage Control. This one-day permit would be required in addition to a permit by the Lakeport Police Department.

HOLD HARMLESS AGREEMENT

In consideration of allowing the event(s) specified in this application, and to the fullest extent permitted by law, I/we agree to indemnify and hold harmless the City of Lakeport, its officers, agents, employees, and volunteers against and from any and all liability claims, lawsuits, damages, losses, expenses, and costs brought for, or on account of, injuries to or death of any person or persons, including myself and this organization, or damage to or destruction of property, arising out of, or other occurrence during or in connection with the foregoing event(s).

Signature of Applicant

Responsible Official of Applicant Organization

Dated: 3/03/16

STAFF RESPONSE

This section to be completed by City and Other Affected Agencies:

Staff Name:

Department:

☐ No Fiscal Impact

☐ Fiscal Impact

(Describe/Include Estimated Costs)

☐ Police

☐ Public Works

☐ Parks

☐ Other (please specify):

The following will be Required:

☐ Business License

☐ ABC License

☐ Health Department Permit

☐ Other (Specify):

Staff Comments:

This section to be completed by City Clerk following Council meeting:

Considered at Council Meeting (Date):

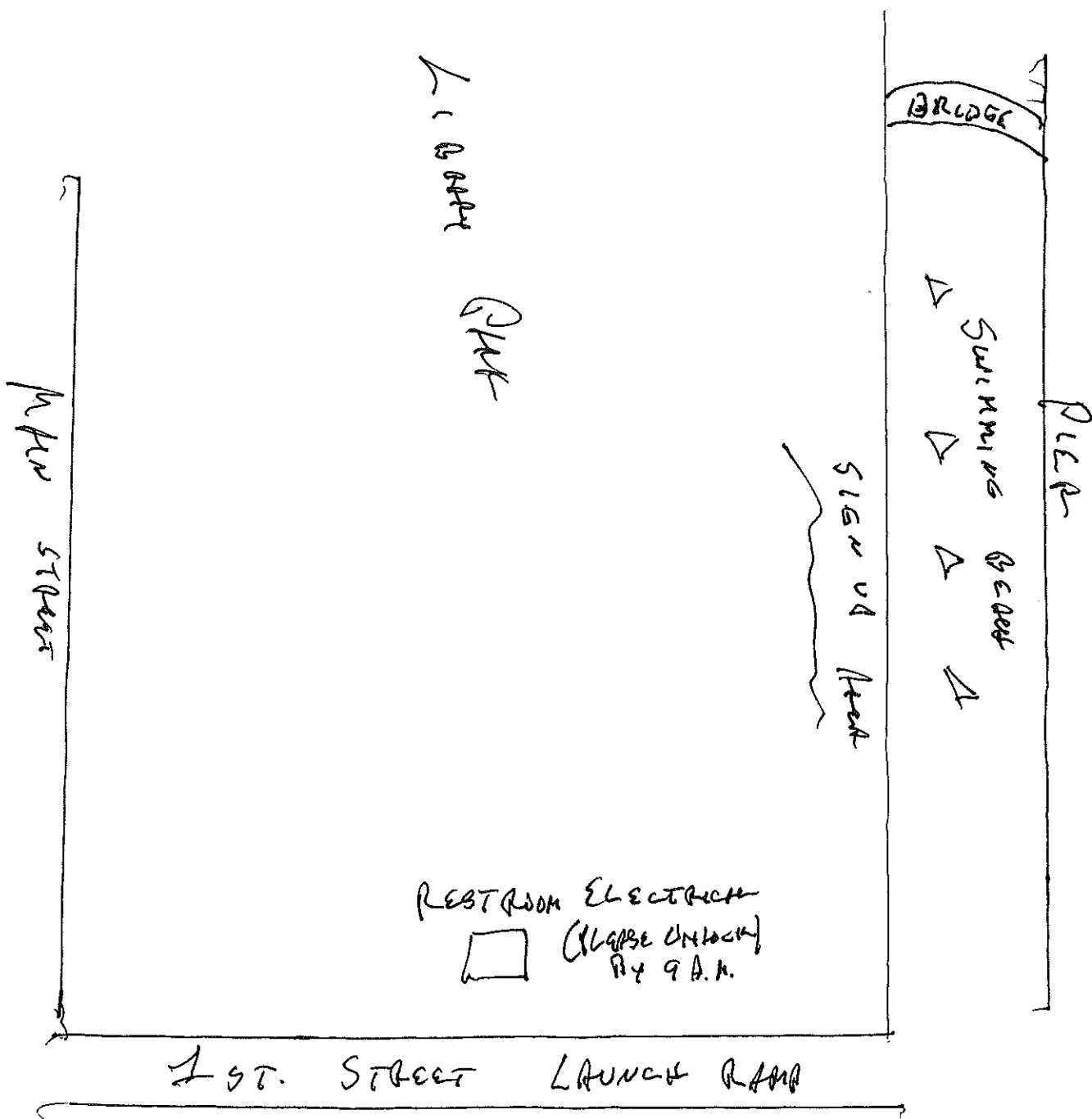
☐ Application Approved

☐ Application Denied

☐ Application Approved With Conditions (See Below)

Conditions of Approval:

☐ Attachments (specify):





CERTIFICATE OF LIABILITY INSURANCE

LAKEYAC-03

DHERRERA

DATE (MM/DD/YYYY)

3/17/2016

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Gowrie Barden & Brett, Inc. 70 Essex Road Westbrook, CT 06498	CONTACT NAME: PHONE (A/C, No, Ext): 1 (800) 262-8911 E-MAIL ADDRESS: info@gowrie.com FAX (A/C, No): (860) 399-3615														
INSURED Lakeport Yacht Club P. O. Box 313 #15 Fifth Street Lakeport, CA 95453	<table><tr><td>INSURER(S) AFFORDING COVERAGE</td><td>NAIC #</td></tr><tr><td>INSURER A: Federal Insurance Company</td><td>20281</td></tr><tr><td>INSURER B:</td><td></td></tr><tr><td>INSURER C:</td><td></td></tr><tr><td>INSURER D:</td><td></td></tr><tr><td>INSURER E:</td><td></td></tr><tr><td>INSURER F:</td><td></td></tr></table>	INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A: Federal Insurance Company	20281	INSURER B:		INSURER C:		INSURER D:		INSURER E:		INSURER F:	
INSURER(S) AFFORDING COVERAGE	NAIC #														
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INSURER B:															
INSURER C:															
INSURER D:															
INSURER E:															
INSURER F:															

COVERAGES**CERTIFICATE NUMBER:****REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:	X		36026406	06/19/2015	06/19/2016	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 1,000,000 MED EXP (Any one person) \$ 10,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMP/OP AGG \$ Included LIQUOR LIAB \$ 1,000,000
A	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS			36026406	06/19/2015	06/19/2016	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
A	UMBRELLA LIAB EXCESS LIAB DED <input type="checkbox"/> RETENTION \$ <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/>			79892424	06/19/2015	06/19/2016	EACH OCCURRENCE \$ 1,000,000 AGGREGATE \$ \$ 1,000,000
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below Y/N <input type="checkbox"/> N/A						PER STATUTE <input type="checkbox"/> OTH-ER <input type="checkbox"/> E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
A	Marine General Liabi			07324327	06/19/2015	06/19/2016	1,000,000
A	P&I/ Regatta			07324328	06/19/2015	06/19/2016	Per Occurrence 1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

Certificate Holder is an Additional Insured for General Liability only with respects to the operations of the Named Insured and more specifically with regard to an event on 7/4/16

CERTIFICATE HOLDER**CANCELLATION**

City of Lakeport 225 Park Street Lakeport, CA 95453	<p>SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.</p> <p>AUTHORIZED REPRESENTATIVE <i>S. Carter Gormi</i></p>
---	---

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From: jferguson@lakeportpolice.org
To: [Hilary Britton](#)
Subject: Re: Application 2016-010 - Cardboard & Duct Tape Regatta
Date: Thursday, March 31, 2016 2:50:41 PM
Attachments: [image003.png](#)

No police concerns

A true hero is not defined simply by the uniform he or she is wearing but rather the person who's wearing it!

-----Original Message-----

From: Hilary Britton [mailto:hbritton@cityoflakeport.com]
Sent: Wednesday, March 30, 2016 12:23 PM
To: Amanda Frazell (Dean.Eichelmann@lakecountyca.gov), Cheryl Bennett (cheryl.bennett@lakecountyca.gov), 'Cynthia Ader', 'Daniel Chance', 'Doug Grider', 'Executive Management', 'Gary Basor', 'Jason Ferguson', 'Jim Kennedy', 'Linda Sobieraj', Lori Price (lorip@co.lake.ca.us), Mark Wall (mwaconsulting@comcast.net), 'Mike Sobieraj', Pheakdey Preciado (pheakdey.preciado@lakecountyca.gov), 'Rebekah Dolby', 'Ron Ladd', Tina Rubin (Tina.Rubin@lakecountyca.gov)
Subject: Application 2016-010 - Cardboard & Duct Tape Regatta

a ,

Please find attached application 2016-010 for the annual Cardboard & Duct Tape Regatta to be held on May 4, 2016, at Library Park, for your review.

We would like to submit this for the Council's consideration at the April 19, 2016 meeting, so please have your comments back to me no later than April 13, 2016.

Again, thank you for your input and comments.

Hilary Britton
Deputy City Clerk
City of Lakeport
225 Park Street
Lakeport, CA 95453
(707) 263-5615 x43
hbritton@cityoflakeport.com



This email checked with McAfee SaaS.

USE OF ALCOHOL: Is a permit for alcoholic beverages requested? ☐ Yes ☒ No

If you have checked yes, you must obtain a signed permit from the Lakeport Police Department and attach it to this application. This will allow for consumption of alcoholic beverages in connection with the event but will NOT allow for the SALE of alcoholic beverages. If alcoholic beverages are going to be sold or included with the price of any ticket or admission to the event, then the applicant is required to obtain a one-day license from the California Department of Alcoholic Beverage Control. This one-day permit would be required in addition to a permit by the Lakeport Police Department.

HOLD HARMLESS AGREEMENT

In consideration of allowing the event(s) specified in this application, and to the fullest extent permitted by law, I/we agree to indemnify and hold harmless the City of Lakeport, its officers, agents, employees, and volunteers against and from any and all liability claims, lawsuits, damages, losses, expenses, and costs brought for, or on account of, injuries to or death of any person or persons, including myself and this organization, or damage to or destruction of property, arising out of, or other occurrence during or in connection with the foregoing event(s).

Signature of Applicant

Responsible Official of Applicant Organization

Dated: 3/23/16

STAFF RESPONSE

This section to be completed by City and Other Affected Agencies:

Staff Name:

Department:

☐ No Fiscal Impact

☐ Fiscal Impact

(Describe/Include Estimated Costs)

☐ Police

☐ Public Works

☐ Parks

☐ Other (please specify):

The following will be Required:

☐ Business License

☐ ABC License

☐ Health Department Permit

☐ Other (Specify):

Staff Comments:

Environmental Health has no concerns regarding this event - no food vendors present.

TH
4/5/16

This section to be completed by City Clerk following Council meeting:

Considered at Council Meeting (Date):

☐ Application Approved

☐ Application Denied

☐ Application Approved With Conditions (See Below)

Conditions of Approval:

☐ Attachments (specify):

**Agreement between the County of Lake and the City of Lakeport for
County Financial Contribution toward Required Improvements at
Westshore Pool**

This Agreement is made this 22 day of March, 2016, by and between the County of Lake, a political subdivision of the State of California, hereinafter referred to as "County" and the City of Lakeport, hereinafter referred to as "City."

WHEREAS, the City of Lakeport has been made aware of capital improvements required by the Division of State Architect for continued operation of the pool and is in need of financial support to provide those improvements; and

WHEREAS, the County desires to assist the City and the Lakeport Unified School District in completing the necessary improvements to ensure operation of this vital public facility, and it is in the public interest to do so.

NOW, THEREFORE, the parties hereto agree as follows:

1. The County shall pay the sum of Fifteen Thousand Dollars (\$15,000.00) to the City of Lakeport as a one-time contribution to assist the City in providing the necessary capital improvements to the pool, or the required professional services to complete said services. Said funds shall only be used for the direct costs incurred to reopen the pool and not be used to support City staff or benefits, maintenance and operation costs, or other indirect costs. Upon the submission of documentation of any eligible expenses incurred since January 1, 2014 to the County Administrative Office, County shall reimburse City for eligible costs within 15 days.
2. Term: The term of the Agreement shall be effective the date first written above, and shall continue in full force and effect until June 30, 2016; unless terminated earlier as provided for herein.
3. Termination: This Agreement may be terminated:
 - a. Anytime by mutual consent of both parties.
 - b. Upon 30 days written notice by either party to the other party.

Upon termination, City shall reimburse the County a percentage of the total compensation provided for in this Agreement, which is in proportion to the period of time the Agreement is in effect prior to termination.

4. Modification: This Agreement may only be modified by a written amendment hereto, executed by both parties.
5. Indemnification – Hold Harmless: City shall indemnify and defend County and its officers, employees, and agents against and hold them harmless from

any and all claims, losses, damages, and liability for damages, including attorney's fees and other costs of defense incurred by County, whether for damage to or loss of property, or injury or death of person, including properties of County and injury to or death of County officials, employees or agents, arising out of, or connected with City's operations hereunder or the performance of the work described herein, unless such damages, loss, injury or death is caused solely by the negligence of County.

6. Non-Discrimination in Employment: In the performance of the work authorized under this Agreement, City shall not unlawfully discriminate against any qualified worker because of race, religious creed, color, sex, sexual orientation, national origin, ancestry, physical disability, mental disability, medical condition, marital status, or age.
7. Adherence to Applicable Disability Law: City shall be responsible for knowing and adhering to the requirements of Section 504 of the Rehabilitation Act of 1973, the Americans with Disabilities Act, (42 U.S.C. Sections 12101, et seq.), California Government Code Section 12920 et seq., and all related state and local laws.
8. HIPPA Compliance: City will adhere to Titles 9 and 22 and all other applicable Federal and State statutes and regulations, including the Health Insurance Portability and Accountability Act of 1996 (HIPPA) and will make its best efforts to preserve data integrity and the confidentiality of protected health information.
9. Insurance: Throughout the term of this Agreement City shall maintain all the insurance coverage's required herein.

Any failure of City to maintain the insurance required by this provision, or to comply with any of the requirements of this provision, shall constitute a material breach of the entire Agreement.

Certificates evidencing the issuance of the following insurance shall be filed with County within ten (10) days after the date of execution of this Agreement by City and prior to commencement of work hereunder.

- a. **Compensation Insurance.** City shall maintain, at City's own expense during the term hereof, Workers' Compensation Insurance and Employer's Liability Insurance as required by the State of California, for all employees to be engaged in work related to the operation of City's Westshore Pool. In any case of such work sublet, City shall require subcontractor similarly to provide Employer's Liability Insurance and Workers' Compensation Insurance for all of the latter's employees to be engaged in such work, unless such employees are covered by the protection

afforded by City Workers' Compensation Insurance and Employer's Liability Insurance. Employer's Liability Insurance shall be in an amount not less than One Million Dollars (\$1,000,000.00) per occurrence.

b. **Commercial General Liability.** City shall procure and maintain, at City's own expense during the term hereof, upon himself and his employees at all times during the course of this Agreement, General Liability Insurance (Occurrence Form CG 0001) for bodily injury, personal injury, and broad form property damage, in an amount of not less than One Million Dollars (\$1,000,000.00) combined single limit coverage per occurrence, including but not limited to endorsements for the following coverages: Personal and advertising injury, Premises-operations, Products and completed operations, Blanket contractual, and Independent contractor's liability.

c. **Automobile Liability Insurance.** City shall procure and maintain, at City's own expense during the term hereof, Comprehensive Automobile Liability Insurance, both bodily injury and property damage, on owned, hired, leased, and non-owned vehicles used in connection with Contractor's business in an amount not less than One Million Dollars (\$1,000,000.00) combined single limit coverage per occurrence.

10. Attorney's Fees and Costs: If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, costs, and necessary disbursements in addition to any other relief to which such party may be entitled.

11. Severability: If any provision of this Agreement is held to be unenforceable, the remainder of this Agreement shall be severable and not affected thereby.

12. Dispute Resolution/Meet and Confer Process: In the event the County or the City believes that the other has committed a possible violation of this Agreement, it may request in writing that the parties meet and confer in good faith for the purpose of attempting to reach a mutually satisfactory resolution of the problem within fifteen (15) days of the date of the service of said request.

13. Notices: Any written notices from one party to the other regarding this Memorandum of Understanding shall be mailed to the following:

FOR THE CITY:

City Manager
225 Park Street
Lakeport, CA 95453

FOR THE COUNTY:

County Administrative Officer
255 N. Forbes Street
Lakeport, CA 95453

14. Additional Provisions: This Agreement shall be governed by the laws of the State of California. It constitutes the entire agreement between the parties regarding it subject matter. This Agreement supersedes all proposals, oral and written, and all negotiations, conversations or discussions heretofore and between the parties related to the subject matter of this Agreement.

IN WITNESS THEREOF, the parties hereby execute and enter into the Agreement with the intent to be bound thereby through their authorized representatives whose signatures are affixed below.

COUNTY OF LAKE

Rob Brown
Chairman, Board of Supervisors

ATTEST: Matt Perry
Clerk of the Board

By: [Signature]

APPROVED AS TO FORM FOR
COUNTY OF LAKE:

Anita L. Grant
Anita L. Grant, County Counsel



CITY OF LAKEPORT

Mayor

ATTEST: Kelly Buendia
City Clerk

By: _____

APPROVED AS TO FORM FOR
THE CITY OF LAKEPORT:

David Ruderman, City Attorney

**FIRST AMENDMENT TO THE AGREEMENT BETWEEN THE COUNTY OF LAKE AND
THE CITY OF LAKEPORT FOR PARTICIPATION IN THE
LAKE COUNTY MARKETING PROGRAM**

This Amendment is made and entered into this 22 day of March, 2016, by and between the County of Lake, a political subdivision of the State of California, hereinafter referred to as "County," and the City of Lakeport, hereinafter referred to as "City."

WITNESSETH

WHEREAS, the County and the City entered into an agreement on September 26, 2006 for the City to participate in the County's destination marketing program; and

WHEREAS, to remain current with marketing trends and best practices, the County's marketing strategy and services have evolved; and

WHEREAS, some of the marketing strategies and services presented in the initial agreement no longer represent the work performed by the County's marketing program; and

WHEREAS, County desires to amend the initial agreement to provide a more accurate representation of the marketing strategy and services of the Lake County Marketing Program.

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:


1. That Section 2 shall be replaced entirely to read as follows:
2. In consideration of payments made by the City pursuant to Section 1, above, County agrees to include City in County's Marketing Program promotions as follows:
 - a. Include an internet website link from the County visitor website, www.LakeCounty.com, home page to the City of Lakeport and the Lakeport Main Street Association websites, and include information about the City's accommodations, restaurants, attractions and events on said visitor website on an equal basis with other accommodations, restaurants, attractions and events located in the unincorporated area.
 - b. Promote content, including information, photographs and videos, about the City's accommodations, restaurants, attractions and events on County marketing social media channels, including but not limited to Facebook, Twitter, Instagram and YouTube on an equal basis with accommodations, restaurants, attractions and events located in the unincorporated area.
 - c. Include information about the City's accommodations, restaurants, attractions and events, as appropriate, in the County's paid digital content marketing strategy on an equal basis with other accommodations, restaurants, attractions and events located in the unincorporated area.
 - d. Periodically include the City's accommodations, restaurants, attractions and events in the County's paid digital and print destination marketing advertising when appropriate on an equal basis with other accommodations, restaurants, attractions and events located in the unincorporated area.

- e. Provide training for all City employees in the County-sponsored Certified Tourism Ambassadors™ program. Renewals are not included.
- f. Provide City with an ongoing supply of County marketing collateral for display and distribution, if so desired by City.
- g. Distribute promotional materials for the City's accommodations, restaurants, attractions and events at promotional events and trade shows conducted outside of Lake County on an equal basis with other accommodations, restaurants, attractions and events located in the unincorporated area.
- h. Refer visitors and callers to Lakeport lodging facilities on an equal basis with all other lodging referrals.
- i. Include Lakeport's facilities in media and writer tours that are arranged by the County Marketing Program to promote Lake County as a visitor destination.
- j. Contribute a minimum of \$500 per year to the Lakeport Fourth of July Fireworks display.
- k. The County will continue to heavily promote Clear Lake and its activities, including fishing, boating, fireworks, birding, wildlife, etc., in its digital and print marketing strategy.

Except as specifically modified herein, all other terms and conditions of the September 26, 2006 Agreement shall remain in full force and effect.

COUNTY OF LAKE

CITY OF LAKEPORT

<p><u>Rb Brown</u> Chair, Board of Supervisors</p>		<p>_____ Mayor</p>
<p>ATTEST: MATT PERRY Clerk to the Board</p>		<p>ATTEST: Kelly Buendia City Clerk</p>
<p>By: <u>[Signature]</u> Deputy</p>		<p>_____</p>
<p>APPROVED AS TO FORM: ANITA L. GRANT County Counsel</p>		<p>APPROVED AS TO FORM: DANIEL RUDERMAN City Attorney</p>
<p><u>[Signature]</u></p>		<p>_____</p>



CITY OF LAKEPORT

City Council ☒
City of Lakeport Municipal Sewer District ☐
Lakeport Redevelopment Successor Agency ☐
Lakeport Industrial Development Authority ☐
Municipal Financing Agency of Lakeport ☐

STAFF REPORT

RE: Amendment to City Engineer Contract

MEETING DATE: 4/19/16

SUBMITTED BY: Kevin Ingram, Community Development Director

PURPOSE OF REPORT: ☐ Information only ☐ Discussion ☒ Action Item

WHAT IS BEING ASKED OF THE CITY COUNCIL/BOARD:

City Council is being asked to approve an amendment for the professional services agreement (PSA) with Curren Consulting for City Engineering Services.

BACKGROUND/DISCUSSION:

The City of Lakeport has been using the services of Paul Curren of Curren Consulting for the provision of City Engineering Department services including project management and administration oversight. Paul Curren has been working on managing current capital projects that are time sensitive such as the Lakeshore ER project and the Downtown Improvement Phase II project. Although construction related to the Downtown project is expected to be completed prior to the Labor Day holiday, final contract close out may not be until mid-October 2016. Staff is recommending extending the agreement for services through the completion of the downtown project.

OPTIONS:

Approve amendment #1 to the Curren Consulting Agreement.

Approve with amendments

Deny amendment #1 to the Curren Consulting Agreement

FISCAL IMPACT:

☐ None at this time. ☐ ☐ Account Number: Comments:

SUGGESTED MOTIONS:

Move to approve the amendment to the professional services agreement for Curren Consulting for the provision of City Engineering services and authorize the City Manager to execute the amendment.

☒ **Attachments:** 1. Amendment No. 1 to Professional Services Agreement (City of Lakeport and Curren Consulting)

AMENDMENT No. 1 # TO PROFESSIONAL SERVICES AGREEMENT
(City of Lakeport and Curren Consulting)

This Amendment No. #1 (“Amendment”) to Professional Services Agreement (“Agreement”) is made on this [19th] day of [April, 2016] at Lakeport, California, by and between the City of Lakeport, a municipal corporation, 225 Park Street, Lakeport, California 95453 (“City”) and Curren Consulting (“Consultant”).

This “Amendment” modifies the original “Agreement” between the “City” and the “Consultant” dated April 6, 2015 in the following fashion:

- ☐ A. “City” and “Consultant” desire to amend the “Agreement” by modifying section 3.4 – Expiration Date of the “Agreement” to read as follows:

3.4 “Expiration Date”: November 1, 2016

- ☐ B. “City” and “Consultant” desire to amend the “Agreement” by modifying the total compensation and costs payable to “Consultant” under this “Agreement” to a not-to-exceed sum of \$70,000.

TO EFFECTUATE THIS AGREEMENT, the parties have caused their duly authorized representatives to execute this Agreement on the dates set forth below.

“City”
City of Lakeport

By: _____
Margaret Silveira, City Manager

Date: _____

“Consultant”
Curren Consulting

By: _____
Paul Curren, Owner

Date: _____

By: _____

Date: _____

Attest:

By: _____
Kelly Buendia, City Clerk

Date: _____

Approved as to form:

By: _____
David J. Ruderman, City Attorney

Date: _____

PROFESSIONAL SERVICES AGREEMENT

(City of Lakeport / Curren Consulting)

1. IDENTIFICATION

THIS PROFESSIONAL SERVICES AGREEMENT ("Agreement") is entered into by and between the City of Lakeport a California municipal corporation ("City") and Curren Consulting, a sole proprietorship ("Consultant").

2. RECITALS

- 2.1 City has determined that it requires the following professional services from a consultant to act as City Engineer (temporary).
- 2.2 Consultant represents that it is fully qualified to perform such professional services by virtue of its experience and the training, education and expertise of its principals and employees. Consultant further represents that it is willing to accept responsibility for performing such services in accordance with the terms and conditions set forth in this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants and conditions herein contained, City and Consultant agree as follows:

3. DEFINITIONS

- 3.1 "Scope of Services": Such professional services as are set forth in Consultant's April 3, 2014 proposal to City attached hereto as Exhibit A and incorporated herein by this reference.
- 3.2 "Approved Fee Schedule": Such compensation rates as are set forth in Consultant's proposal dated April 3, 2014.
- 3.3 "Commencement Date": April 6, 2015 or as soon thereafter as possible after agreement is signed by all parties.
- 3.4 "Expiration Date": October 6, 2015.

4. TERM

The term of this Agreement shall commence at 12:00 a.m. on the Commencement Date and shall expire at 11:59 p.m. on the Expiration Date unless extended by written agreement of the parties or terminated earlier in accordance with Section 18 ("Termination") below.

5. CONSULTANT'S SERVICES

- 5.1 Consultant shall perform the services as required to perform the functions of City Engineer. Tasks shall be as assigned by the City Manager. In no event shall the total compensation and costs payable to Consultant under this Agreement exceed the sum of \$20,000 unless specifically approved in advance and in writing by City.
- 5.2 Consultant shall obtain a City business license prior to commencing performance under this Agreement.
- 5.3 Consultant shall perform all work to the professional standards of Consultant's profession and in a manner reasonably satisfactory to City. Consultant shall keep itself fully informed of and in compliance with all local, state, and federal laws, rules, and regulations in any manner affecting the performance of the Agreement, including all Cal/OSHA requirements, the conflict of interest provisions of Government Code Section 1090, and the Political Reform Act (Government Code Section 81000 *et seq.*).
- 5.4 During the term of this Agreement, Consultant shall not perform any work for another person or entity for whom Consultant was not working at the Commencement Date if both (i) such work would require Consultant to abstain from a decision under this Agreement pursuant to a conflict of interest statute and (ii) City has not consented in writing to Consultant's performance of such work.
- 5.5 Consultant has represented to the City that Paul R. Curren will perform the services under this Agreement. Should Paul R. Curren become unavailable, Consultant may substitute other personnel of at least equal competence upon written approval of City. If City and Consultant cannot agree as to the substitution of key personnel, City may terminate this Agreement for cause.
- 5.6 Consultant shall not be reimbursed for any expenses unless provided for in this Agreement or authorized in writing by City in advance.

6. COMPENSATION

- 6.1 City agrees to compensate Consultant for the services provided under this Agreement, and Consultant agrees to accept in full satisfaction for such services, payment in accordance with the Approved Fee Schedule.
- 6.2 Consultant shall submit to City an invoice, on a monthly basis or less frequently, for the services performed pursuant to this Agreement. Each invoice shall itemize the services rendered during the billing period and the amount due. City shall not withhold applicable taxes or other authorized deductions from payments made to Consultant.
- 6.3 Payments for any services requested by City and not included in the Scope of Services shall be made to Consultant by City on a time-and-materials basis using

Consultant's standard fee schedule. Consultant shall be entitled to increase the fees in this fee schedule at such time as it increases its fees for its clients generally; provided, however, in no event shall Consultant be entitled to increase fees for services rendered before the thirtieth day after Consultant notifies City in writing of an increase in that fee schedule.

7. PREVAILING WAGES

Consultant is aware of the requirements of California Labor Code Section 1720, et seq., and 1770, et seq., as well as California Code of Regulations, Title 8, Section 16000, et seq., ("Prevailing Wage Laws"), which require the payment of prevailing wage rates and the performance of other requirements on certain "public works" and "maintenance" projects. Consultant shall defend, indemnify, and hold the City, its elected officials, officers, employees, and agents free and harmless from any claim or liability arising out of any failure or alleged failure of Consultant to comply with the Prevailing Wage Laws.

8. OWNERSHIP OF WRITTEN PRODUCTS

All reports, documents or other written material ("written products" herein) developed by Consultant in the performance of this Agreement shall be and remain the property of City without restriction or limitation upon its use or dissemination by City. Consultant may take and retain copies of such written products as desired, but no such written products shall be the subject of a copyright application by Consultant.

9. RELATIONSHIP OF PARTIES

Consultant is, and shall at all times remain as to City, a wholly independent contractor. Consultant shall have no power to incur any debt, obligation, or liability on behalf of City or otherwise to act on behalf of City as an agent except as authorized by the City Manager and as necessary to perform the functions of City Engineer.. Neither City nor any of its agents shall have control over the conduct of Consultant or any of Consultant's employees, except as set forth in this Agreement.

Under no circumstances shall Consultant look to the City as his employer. Consultant shall not be entitled to any benefits. City makes no representation as to the effect of this independent contractor relationship on Consultant's previously earned PERS retirement benefits, and Consultant specifically assumes the responsibility for making such a determination. Consultant shall be responsible for all reports and obligations including, but not limited to: health insurance, dental insurance, vehicle costs, social security taxes, income tax withholding, unemployment insurance, disability insurance, and workers' compensation.

10. CONFIDENTIALITY

All data, documents, discussion, or other information developed or received by Consultant or provided for performance of this Agreement are deemed confidential and shall not be disclosed by Consultant without prior written consent by City. City shall grant such consent if disclosure is legally required. Upon request, all City data shall be returned to City upon the termination or expiration of this Agreement.

11. INDEMNIFICATION

- 11.1 The parties agree that City, its officers, agents, employees and volunteers should, to the fullest extent permitted by law, be protected from any and all loss, injury, damage, claim, lawsuit, cost, expense, attorneys' fees, litigation costs, taxes, or any other cost arising out of or in any way related to the performance of this Agreement. Accordingly, the provisions of this indemnity provision are intended by the parties to be interpreted and construed to provide the City with the fullest protection possible under the law. Consultant acknowledges that City would not enter into this Agreement in the absence of Consultant's commitment to indemnify and protect City as set forth herein.
- 11.2 To the fullest extent permitted by law, Consultant shall indemnify, hold harmless, and when the City requests with respect to a claim provide a deposit for the defense of, and defend City, its officers, agents, employees and volunteers from and against any and all claims and losses, costs or expenses for any damage due to death or injury to any person, whether physical, emotional, consequential or otherwise, and injury to any property arising out of or in connection with Consultant's alleged negligence, recklessness or willful misconduct or other wrongful acts, errors or omissions of Consultant or any of its officers, employees, servants, agents, or subcontractors, or anyone directly or indirectly employed by either Consultant or its subcontractors, in the performance of this Agreement or its failure to comply with any of its obligations contained in this Agreement, except such loss or damage as is caused by the sole active negligence or willful misconduct of the City. Such costs and expenses shall include reasonable attorneys' fees due to counsel of City's choice, expert fees and all other costs and fees of litigation.
- 11.3 City shall have the right to offset against any compensation due Consultant under this Agreement any amount due City from Consultant as a result of Consultant's failure to pay City promptly any indemnification arising under this Section 11 and any amount due City from Consultant arising from Consultant's failure either to (i) pay taxes on amounts received pursuant to this Agreement or (ii) comply with applicable workers' compensation laws.
- 11.4 The obligations of Consultant under this Section 11 are not limited by the provisions of any workers' compensation act or similar act. Consultant expressly waives its statutory immunity under such statutes or laws as to City, its officers, agents, employees and volunteers.
- 11.5 City does not, and shall not, waive any rights that it may possess against Consultant because of the acceptance by City, or the deposit with City, of any insurance policy or certificate required pursuant to this Agreement. This hold harmless and indemnification provision shall apply regardless of whether or not any insurance policies are determined to be applicable to the claim, demand, damage, liability, loss, cost or expense.

12. INSURANCE

- 12.1 During the term of this Agreement, Consultant shall carry, maintain, and keep in full force and effect insurance against claims for death or injuries to persons or damages to property that may arise from or in connection with Consultant's performance of this Agreement. Such insurance shall be of the types and in the amounts as set forth below:
 - 12.1.1 Comprehensive General Liability Insurance with coverage limits of not less than One Million Dollars (\$1,000,000) including products and operations hazard, contractual insurance, broad form property damage, independent consultants, personal injury, underground hazard, and explosion and collapse hazard where applicable.
 - 12.1.2 Automobile Liability Insurance for vehicles used in connection with the performance of this Agreement with minimum limits of (\$100,000) per claimant and One Million dollars (\$300,000) per incident.
 - 12.1.3 Worker's Compensation insurance as required by the laws of the State of California
- 12.2 The policy or policies required by this Agreement shall be issued by an insurer admitted in the State of California and with a rating of at least A:VII in the latest edition of Best's Insurance Guide.
- 12.3 Consultant agrees that if it does not keep the aforesaid insurance in full force and effect, City may either (i) immediately terminate this Agreement; or (ii) take out the necessary insurance and pay the premium thereon at Consultant's expense.
- 12.4 At all times during the term of this Agreement, Consultant shall maintain on file with City's Risk Manager a certificate or certificates of insurance showing that the aforesaid policies are in effect in the required amounts and naming the City and its officers, employees, agents and volunteers as additional insureds. Consultant shall, prior to commencement of work under this Agreement, file with City's Risk Manager such certificate(s).
- 12.5 Consultant shall provide proof that policies of insurance required herein expiring during the term of this Agreement have been renewed or replaced with other policies providing at least the same coverage. Such proof will be furnished at least two weeks prior to the expiration of the coverages.
- 12.6 The general liability and automobile policies of insurance required by this Agreement shall contain an endorsement naming City and its officers, employees, agents and volunteers as additional insureds. All of the policies required under this Agreement shall contain an endorsement providing that the policies cannot be canceled or reduced except on thirty days' prior written notice to City. Consultant agrees to require its insurer to modify the certificates of insurance to delete any exculpatory wording stating that failure of the insurer to mail written notice of

cancellation imposes no obligation, and to delete the word “endeavor” with regard to any notice provisions.

- 12.7 The insurance provided by Consultant shall be primary to any coverage available to City. Any insurance or self-insurance maintained by City and/or its officers, employees, agents or volunteers, shall be in excess of Consultant’s insurance and shall not contribute with it.
- 12.8 All insurance coverage provided pursuant to this Agreement shall not prohibit Consultant, from waiving the right of subrogation prior to a loss. Consultant hereby waives all rights of subrogation against the City.
- 12.9 Any deductibles or self-insured retentions must be declared to and approved by the City. At the option of City, Consultant shall either reduce or eliminate the deductibles or self-insured retentions with respect to City, or Consultant shall procure a bond in the amount of the deductible or self-insured retention to guarantee payment of losses and expenses.
- 12.10 Procurement of insurance by Consultant shall not be construed as a limitation of Consultant’s liability or as full performance of Consultant’s duties to indemnify, hold harmless and defend under Section 11 of this Agreement.
- 12.11 Consultant shall report to the City, in addition to the Consultant’s insurer, any and all insurance claims submitted to Consultant’s insurer in connection with the services under the Agreement.

13. MUTUAL COOPERATION

- 13.1 City shall provide Consultant with all pertinent data, documents and other requested information as is reasonably available for the proper performance of Consultant’s services under this Agreement.
- 13.2 If any claim or action is brought against City relating to Consultant’s performance in connection with this Agreement, Consultant shall render any reasonable assistance that City may require in the defense of that claim or action.

14. RECORDS AND INSPECTIONS

Consultant shall maintain full and accurate records with respect to all matters covered under this Agreement for a period of three years after the expiration or termination of this Agreement. City shall have the right to access and examine such records, without charge, during normal business hours. City shall further have the right to audit such records, to make transcripts therefrom and to inspect all program data, documents, proceedings, and activities.

15. PERMITS AND APPROVALS

Consultant shall obtain, at its sole cost and expense, all permits and regulatory approvals necessary for Consultant's performance of this Agreement. This includes, but shall not be limited to, professional licenses.

16. NOTICES

Any notices, bills, invoices, or reports required by this Agreement shall be deemed received on: (i) the day of delivery if delivered by hand, facsimile or overnight courier service during Consultant's and City's regular business hours; or (ii) on the third business day following deposit in the United States mail if delivered by mail, postage prepaid, to the addresses listed below (or to such other addresses as the parties may, from time to time, designate in writing).

If to City

City of Lakeport
225 Park St.
Lakeport CA 95453
Telephone: (707) 263-5615 x32
Facsimile: (707) 263-8584

If to Consultant:

Paul R. Curren
214 Bodega Avenue
Petaluma, CA 94952
Telephone: (707) 695-5538

With courtesy copy to:

David J. Ruderman, Esq.
City Attorney
Colantuono, Highsmith & Whatley, P.C.
11364 Pleasant Valley Road
Penn Valley, CA 95946
Telephone: (530) 432-7357
Facsimile: (530) 432-7356

17. SURVIVING COVENANTS

The parties agree that the covenants contained in Section 10, Section 11, Paragraph 13.2 and Section 14 of this Agreement shall survive the expiration or termination of this Agreement.

18. TERMINATION

18.1 City may terminate this Agreement for any reason on five calendar days' written notice to Consultant. Consultant may terminate this Agreement for any reason on thirty calendar days' written notice to City. Consultant agrees to cease all work under this Agreement on or before the effective date of any notice of termination. All City data, documents, objects, materials or other tangible things shall be returned to City upon the termination or expiration of this Agreement.

- 18.2 If City terminates this Agreement due to no fault or failure of performance by Consultant, then Consultant shall be paid based on the work satisfactorily performed at the time of termination. In no event shall Consultant be entitled to receive more than the amount that would be paid to Consultant for the full performance of the services required by this Agreement.

19. GENERAL PROVISIONS

- 19.1 Consultant maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Consultant, to solicit or secure this Agreement. Further, Consultant warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Consultant, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. Consultant further agrees to file, or shall cause its employees or subcontractor to file, a Statement of Economic Interest with the City's Filing Officer if required under state law in the performance of the services. For breach or violation of this warranty, City shall have the right to rescind this Agreement without liability. For the term of this Agreement, no member, officer, or employee of City, during the term of his or her service with City, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.
- 19.2 Consultant shall not delegate, transfer, subcontract or assign its duties or rights hereunder, either in whole or in part, without City's prior written consent, and any attempt to do so shall be void and of no effect. City shall not be obligated or liable under this Agreement to any party other than Consultant.
- 19.3 Except as expressly stated herein, there is no intended third party beneficiary of any right or obligation assumed by the parties.
- 19.4 Time is of the essence for each and every provision of this Agreement.
- 19.5 In the performance of this Agreement, Consultant shall not discriminate against any employee, subcontractor, or applicant for employment because of race, color, creed, religion, sex, marital status, sexual orientation, national origin, ancestry, age, physical or mental disability, medical condition or any other unlawful basis.
- 19.6 The captions appearing at the commencement of the sections hereof, and in any paragraph thereof, are descriptive only and for convenience in reference to this Agreement. Should there be any conflict between such heading, and the section or paragraph thereof at the head of which it appears, the section or paragraph thereof, as the case may be, and not such heading, shall control and govern in the construction of this Agreement. Masculine or feminine pronouns shall be substituted for the neuter form and vice versa, and the plural shall be substituted for the singular form and vice versa, in any place or places herein in which the context requires such substitution(s).

- 19.7 The waiver by City or Consultant of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition or of any subsequent breach of the same or any other term, covenant or condition herein contained. No term, covenant or condition of this Agreement shall be deemed to have been waived by City or Consultant unless in writing signed by one authorized to bind the party asserted to have consented to the waiver.
- 19.8 Consultant shall not be liable for any failure to perform if Consultant presents acceptable evidence, in City's sole judgment, that such failure was due to causes beyond the control and without the fault or negligence of Consultant.
- 19.9 Each right, power and remedy provided for herein or now or hereafter existing at law, in equity, by statute, or otherwise shall be cumulative and shall be in addition to every other right, power, or remedy provided for herein or now or hereafter existing at law, in equity, by statute, or otherwise. The exercise, the commencement of the exercise, or the forbearance of the exercise by any party of any one or more of such rights, powers or remedies shall not preclude the simultaneous or later exercise by such party of any of all of such other rights, powers or remedies. If legal action shall be necessary to enforce any term, covenant or condition herein contained, the party prevailing in such action, whether reduced to judgment or not, shall be entitled to its reasonable court costs, including accountants' fees, if any, and attorneys' fees expended in such action. The venue for any litigation shall be Lake County, California and Consultant hereby consents to jurisdiction in Lake County for purposes of resolving any dispute or enforcing any obligation arising under this Agreement.
- 19.10 If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, then such term or provision shall be amended to, and solely to, the extent necessary to cure such invalidity or unenforceability, and in its amended form shall be enforceable. In such event, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.
- 19.11 This Agreement shall be governed and construed in accordance with the laws of the State of California.
- 19.12 All documents referenced as exhibits in this Agreement are hereby incorporated into this Agreement. In the event of any material discrepancy between the express provisions of this Agreement and the provisions of any document incorporated herein by reference, the provisions of this Agreement shall prevail. This instrument contains the entire Agreement between City and Consultant with respect to the transactions contemplated herein. No other prior oral or written agreements are binding upon the parties. Amendments hereto or deviations

herefrom shall be effective and binding only if made in writing and executed by City and Consultant.

- 19.13 Consultant shall maintain any and all ledgers, books of account, invoices, vouchers, canceled checks, and other records or documents evidencing or relating to charges for services or expenditures and disbursements charged to City under this Agreement for a minimum of three (3) years, or for any longer period required by law, from the date of final payment to Consultant under this Agreement. All such documents shall be made available for inspection, audit, and/or copying at any time during regular business hours, upon oral or written request of City. In addition, pursuant to Government Code Section 8546.7, if the amount of public funds expended under this Agreement exceeds ten thousand dollars, all such documents and this Agreement shall be subject to the examination and audit of the State Auditor, at the request of City or as part of any audit of City, for a period of three (3) years after final payment under the Agreement.

TO EFFECTUATE THIS AGREEMENT, the parties have caused their duly authorized representatives to execute this Agreement on the dates set forth below.

"City"

City of Lakeport

By: 

Margaret Silveira, City Manager

Date: 4/23/15

"Consultant"

Curren Consulting

By: 

Paul R. Curren, Owner

Date: 4/23/15

Attest:

By: 

Janel Chapman, City Clerk

Date: 04/23/2015

Approved as to form:

By: 

David J. Ruderman, City Attorney

Date: 5/5/2015

Curren Consulting

**214 Bodega Avenue
Petaluma, CA 94952**

April 3, 2015

Proposal M15003

Ms. Margaret Silveira
City of Lakeport
225 Park Street
Lakeport, CA 95453

Subject: Temporary City Engineer

Dear Margaret:

It was a pleasure to meet with you and your staff on Tuesday. As we discussed, I am interested in filling the position of City Engineer on a temporary basis. The proposed services include routine task such as reviewing development plans; preparing and reviewing Requests for Proposal for engineering related projects, preparing reports, providing information and feedback to the City on engineering related matters, and other duties as assigned. However, I will not be providing direct design related services as these will be performed by other consultants for the City and it will fall to me to provide technical review of such work. If such services are required or desirable to the City, these will be covered by a separate agreement on a project by project basis.

I anticipate that I can provide a minimum of 15 hours of time to my duties each week. As discussed, I would be present in the City offices on Monday from 8 AM till 5 PM each Monday to provide counter hours for the public. However I may choose to work longer hours (7 AM to 6 PM) to accommodate the work load. The remaining hours will be provided at my home office. I will take telephone calls during regular business hours during the remainder of the week including participation in telephone teleconferences, etc. If necessary and without conflict with my other work, I will make myself available at the City offices on other days with a minimum work period on those days of 5 hours. There are a couple of exceptions. I have current commitments for the entire weeks of July 6-10 and 27-31 and Labor Day. I will identify and commit to other days in adjacent weeks to provide counter time for the City.

By way of disclosure, I am no longer an owner or full time employee of Pavement Engineering Inc. I do however continue to provide services to them as a contract employee and do receive stock reimbursement payments from them. As PEI is one of the City's engineering firms, it would be necessary for me NOT to provide any services to the City as City Engineer in matters relating to PEI. This would include any decisions to hire PEI or in review of PEI's work. I would not participate for PEI in any matter relating to the City of Lakeport.

Curren Consulting

**214 Bodega Avenue
Petaluma, CA 94952**

My hourly rate for the above scope of services is \$100 per hour. This rate excludes any travel time or expense to and from the City offices. The hourly rate includes my personal vehicle use during work. The hourly rate includes all benefits including health insurance, retirement, taxes, etc. The City is NOT responsible for any employment related compensation, taxation, etc. This proposal includes general liability insurance with \$1,000,000 single limits and automobile insurance. As a sole proprietor, I am not required to carry workmans compensation insurance on myself as I already supply my own health insurance policy. Professional liability insurance is not provided.

It is understood that this position is temporary and that my services are severable at any time by the City. It is understood that the City may seek several ways to resolve the City's need for a City Engineer and that it is not my intention to seek any long term relationship with the City in this regard. If you have any questions, please let me know.

Very truly yours,

CURREN CONSULTING

A handwritten signature in black ink, appearing to read 'Paul R. Curren', written over the printed name.

Paul R. Curren, P.E.
Owner



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
04/13/2015

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Don Ramatici Insurance, Inc. P.O. Box 551 Petaluma, CA 94953 Tony Rossotti	CONTACT NAME: Tony Rossotti	FAX (A/C, No): 707-782-9300	
	PHONE (A/C, No, Ext): 707-782-9200	E-MAIL ADDRESS:	
INSURED Paul R. Curren, PE DBA: Curren Consulting 214 Bodega Ave Petaluma, CA 94952	INSURER(S) AFFORDING COVERAGE		NAIC #
	INSURER A: Sentinel Insurance Company		11000
	INSURER B:		
	INSURER C:		
	INSURER D:		
	INSURER E:		
	INSURER F:		

COVERAGES

CERTIFICATE NUMBER:

REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:			57SBMBH7102	04/06/2015	04/06/2016	EACH OCCURRENCE \$ 2,000,000
							DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 1,000,000
							MED EXP (Any one person) \$ 10,000
							PERSONAL & ADV INJURY \$ 2,000,000
							GENERAL AGGREGATE \$ 4,000,000
							PRODUCTS - COMP/OP AGG \$ 4,000,000
							Hired/NOA \$ 2,000,000
	AUTOMOBILE LIABILITY						COMBINED SINGLE LIMIT (Ea accident) \$
	ANY AUTO						BODILY INJURY (Per person) \$
	ALL OWNED AUTOS						BODILY INJURY (Per accident) \$
	HIRED AUTOS						PROPERTY DAMAGE (Per accident) \$
							\$
	UMBRELLA LIAB						EACH OCCURRENCE \$
	EXCESS LIAB						AGGREGATE \$
	DED						\$
	RETENTION \$						PER STATUTE
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY						OTH-ER
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)						E.L. EACH ACCIDENT \$
	If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. DISEASE - EA EMPLOYEE \$
							E.L. DISEASE - POLICY LIMIT \$

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

RE: Work performed by the Named Insured for the Certificate Holder

CERTIFICATE HOLDER

CANCELLATION

LAKEPOR

City of Lakeport
Dept of Building & Plans
Attn: Margaret Silveria
225 Park Street
Lakeport, CA 95453

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE



CITY OF LAKEPORT

City Council ☒
City of Lakeport Municipal Sewer District ☐
Lakeport Redevelopment Successor Agency ☐
Lakeport Industrial Development Authority ☐
Municipal Financing Agency of Lakeport ☐

STAFF REPORT

RE: Adoption of Ordinance Related to the Traffic Safety Advisory Committee

MEETING DATE: 04/19/2016

SUBMITTED BY: Kelly Buendia, City Clerk

PURPOSE OF REPORT: ☐ Information only ☐ Discussion ☒ Action Item

WHAT IS BEING ASKED OF THE CITY COUNCIL/BOARD:

The City Council is asked to adopt an ordinance regarding the Traffic Safety Advisory Committee.

BACKGROUND/DISCUSSION:

The Traffic Safety Advisory Committee (TSAC) was established in 1991 to make recommendations to the City Council regarding traffic safety, pedestrian safety, and parking. During recent staffing fluctuations, committee activities were frozen for a period of time and the terms of commissioners lapsed. When the City Clerk's office began to recruit the positions, it was discovered that the ordinance contained language that was making the positions more difficult to recruit. After further review, staff identified other areas in the ordinance where greater efficiency could be achieved.

Attached to this report is the ordinance in strikethrough format. In summary, there are three areas that staff is recommending modifications:

1. Recruitment Barriers: Staff is recommending the removal of language that requires members to have a background in traffic safety or familiarity with the Vehicle Code. Further, staff recommends the removal of the non-voting member who is a member of the insurance industry. With volunteerism at an all-time low, these changes will allow staff to collect all applications and Council to select the most qualified. It would also reduce the size of the board from six volunteers to five.
2. Recruitment Inefficiencies: The requested modifications will allow the Council to establish the terms of service by Resolution. This will enable staff to request that all Commissions and Committees have terms ending in December, which allows the City Clerk's office to focus on more concentrated recruitment efforts once a year rather than multiple times a year. Should the Council adopt the ordinance, and once the ordinance is in effect, a resolution establishing the terms will be submitted for approval of the City Council.
3. Operational Inefficiencies: The proposed changes will allow the City Manager to appoint the appropriate support staff and allow for a staff liaison to call meetings as needed, rather than meeting once a month. With staffing changes, it is prudent to allow the City Manager to assign appropriate staff. While the City Engineer, Police Chief, Public Works Director, and City Clerk are not inappropriate staff selections, the City Manager may have more appropriate bodies or may not be able to spare all those

positions for TSAC activities. Since 2009, TSAC has averaged four meetings a year and some of those only had one agenda item or were to conduct business such as electing officers. Staff would set meetings as issues arise. This would also help to manage expectations of the committee for more frequent meetings.

OPTIONS:

The Council could reject or amend the proposed ordinance.

FISCAL IMPACT:

☒ None ☐ \$ Budgeted Item? ☐ Yes ☐ No

Budget Adjustment Needed? ☐ Yes ☐ No If yes, amount of appropriation increase: \$

Affected fund(s): ☐ General Fund ☐ Water OM Fund ☐ Sewer OM Fund ☐ Other:

Comments:

SUGGESTED MOTIONS:

Move to adopt the proposed Ordinance of the City Council of the City of Lakeport Amending Chapter 2.22 of Title 2 of the Lakeport Municipal Code Regarding the Traffic Safety Advisory Committee.

- ☒ **Attachments:**
1. Proposed Ordinance Strikethrough
 2. Proposed Ordinance

Chapter 2.22

TRAFFIC SAFETY ADVISORY COMMITTEE

Sections:

- 2.22.010 Committee established--Composition.
- 2.22.020 Terms of committee members--Vacancies and compensation.
- 2.22.030 Organization of commission--Meetings, officers, minutes.
- 2.22.040 Powers and duties.

2.22.010 Committee established--Composition.

There is established a traffic safety advisory committee ~~of nine members~~ consisting of the following persons:

A. Five voting members, citizens-at-large, who are residents of the city, to be appointed by the city council on the basis of interest and qualification. ~~Two of the voting members shall have a background in traffic safety and/or have a familiarity with the California Vehicle Code.~~

B. The City Manager shall appoint appropriate staff members and a staff liason to coordinate the activities of the committee.

~~B. One nonvoting member from the automobile insurance industry who is knowledgeable in matters of traffic safety and liability issues such as may come under the consideration of the committee, e.g., a representative from the California State Automobile Association.~~

~~C. Three nonvoting ex officio members from the staff of the city of Lakeport:~~

~~1. The city engineer/director of public works, or his/her designate, who shall be the city staff person responsible for coordination of the activities of the committee;~~

~~2. The chief of police, or his/her designate; 3. The city clerk, or his/her designate, who shall act as secretary of the committee. (Ord. 719 (part), 1991)~~

2.22.020 Terms of committee members--Vacancies and compensation.

A. Terms. Members of the traffic safety advisory committee shall serve for a term of four years upon appointment by the city council. ~~The term shall normally commence on March 1st on the year of appointment. However, in order to provide for staggered terms to insure the continuity of experienced members, at the implementation of the ordinance codified in this chapter, the city council shall appoint the five members of the commission with terms as follows: two members shall serve for two years, and three members shall serve for four years. At the expiration of the term of office of each of the several members, his or her successor shall be appointed by the city council at the second meeting in February of the city council. Vacancies on the commission occurring otherwise than by expiration of term of office shall be filled for the unexpired term by appointment by the city council. The city engineer/director of public works, police chief and city clerk shall be ex officio members by virtue of their employment with the city in such capacities.~~

B. Vacation or Removal From Office. Members of the traffic safety advisory committee shall be removed from office or their office declared vacant in the following manner and for the following reasons:

1. By a majority vote of the council;
2. If a member is no longer a permanent resident of the city of Lakeport, ~~city employee or prominent representative of the automobile insurance industry of the area~~, in which event his/her removal shall be automatic and no action by the council is necessary;
3. If a member is absent from four noticed regular meetings of the committee in any twelve-month period, ~~or from three consecutive noticed meetings~~, except for good cause as determined by members of the committee, his/her removal shall be automatic and no action by the council is necessary.

C. Compensation. Members of the traffic safety advisory committee shall receive no compensation. (Ord. 719 (part), 1991)

2.22.030 Organization of commission--Meetings, officers, minutes.

A. Meetings. The traffic safety advisory committee meetings shall be set as needed as determined by appointed staff liason. ~~The traffic safety advisory committee should hold at least one regular meeting each month for the transaction of business, except if no agenda items have been proposed for consideration by committee members, other departments or agencies, or citizens, in which case the members may determine to cancel the regularly scheduled meeting of that month. The committee shall adopt rules and regulations to govern procedures and shall set a regularly scheduled time for monthly meetings. Additional adjourned or special meetings may be held from time to time as needed, provided that said meetings are properly called and noticed according to state law.~~

B. Officers. The traffic safety advisory committee shall meet, ~~upon implementation of the ordinance codified in this chapter, and thereafter during the regular meeting in March of each year,~~ at its first meeting each year and elect a chairman and vice-chairman from members of the committee. Their duties shall respectively be such as are usually carried by such officers. Such officers shall hold office for one year, or until their successors are elected.

C. Minutes. The city clerk, or his/her designate, shall act as secretary to the committee, and shall keep a record of its proceedings and transactions. Minutes of the commission shall be filed with the city clerk ~~and minute orders of its recommendations shall be transmitted to the city council.~~ (Ord. 719 (part), 1991)

2.22.040 Powers and duties.

The powers, duties and responsibilities of the traffic safety advisory committee shall be to make recommendations to the city council regarding:

- A. Traffic safety;
- B. Pedestrian safety;
- C. Parking, as it relates to traffic safety. (Ord. 719 (part), 1991)

Ordinance No. (2016)

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF LAKEPORT AMENDING CHAPTER 2.22 OF TITLE 2 OF THE LAKEPORT MUNICIPAL CODE REGARDING THE TRAFFIC SAFETY ADVISORY COMMITTEE

THE CITY COUNCIL OF THE CITY OF LAKEPORT DOES ORDAIN AS FOLLOWS:

SECTION 1. Amendment to Chapter 2.22 “Traffic Safety Advisory Committee”

Chapter 2.22 “Traffic Safety Advisory Committee” of Title 2 of the Lakeport Municipal Code is hereby repealed in its entirety and replaced with the following:

Chapter 2.22 TRAFFIC SAFETY ADVISORY COMMITTEE

Sections:

- 2.22.010 Committee established--Composition.
- 2.22.020 Terms of committee members--Vacancies and compensation.
- 2.22.030 Organization of commission--Meetings, officers, minutes.
- 2.22.040 Powers and duties.

2.22.010 Committee established--Composition.

There is established a traffic safety advisory committee consisting of the following persons:

- A. Five voting members, citizens-at-large, who are residents of the city, to be appointed by the city council on the basis of interest and qualification.
- B. The City Manager shall appoint appropriate staff members and a staff liaison to coordinate the activities of the committee.

2.22.020 Terms of committee members--Vacancies and compensation.

A. Terms. Members of the traffic safety advisory committee shall serve for a term of four years upon appointment by the city council. Vacancies on the commission occurring otherwise than by expiration of term of office shall be filled for the unexpired term by appointment by the city council.

B. Vacation or Removal From Office. Members of the traffic safety advisory committee shall be removed from office or their office declared vacant in the following manner and for the following reasons:

1. By a majority vote of the council;
2. If a member is no longer a permanent resident of the city of Lakeport, in which event his/her removal shall be automatic and no action by the council is necessary;

3. If a member is absent from four noticed regular meetings of the committee in any twelve-month period, except for good cause as determined by members of the committee, his/her removal shall be automatic and no action by the council is necessary.

C. Compensation. Members of the traffic safety advisory committee shall receive no compensation. (Ord. 719 (part), 1991)

2.22.030 Organization of commission--Meetings, officers, minutes.

A. Meetings. The traffic safety advisory committee meetings shall be set as needed as determined by appointed the staff liaison.

B. Officers. The traffic safety advisory committee shall meet, at its first meeting each year and elect a chairman and vice-chairman from members of the committee. Their duties shall respectively be such as are usually carried by such officers. Such officers shall hold office for one year, or until their successors are elected.

C. Minutes. The city clerk, or his/her designate, shall act as secretary to the committee, and shall keep a record of its proceedings and transactions. Minutes of the commission shall be filed with the city clerk (Ord. 719 (part), 1991)

2.22.040 Powers and duties.

The powers, duties and responsibilities of the traffic safety advisory committee shall be to make recommendations to the city council regarding:

A. Traffic safety;

B. Pedestrian safety;

C. Parking, as it relates to traffic safety. (Ord. 719 (part), 1991)

SECTION 2. Severability. Should any provision of this Ordinance, or its application to any person or circumstance, be determined by a court of competent jurisdiction to be unlawful, unenforceable or otherwise void, that determination shall have no effect on any other provision of this Ordinance or the application of this Ordinance to any other person or circumstance and, to that end, the provisions hereof are severable.

SECTION 3. CEQA. This ordinance is not a “project” subject to the California Environmental Quality Act (CEQA). “Project” does not include “general policy and procedure making” or “[o]rganizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment” pursuant to CEQA Guidelines § 15378(b). In addition, this ordinance is exempt from CEQA because it does not apply to the modification, structuring, restructuring, or approval of rates, tolls, fares, or other charges by public agencies

that are not designed to increase services or expand a system pursuant to CEQA Guidelines § 15273.

SECTION 4. **Effective Date.** This Ordinance shall take effect thirty (30) days after adoption as provided by Government Code section 36937.

SECTION 5. **Certification.** The City Clerk shall certify to the passage and adoption of this Ordinance and shall give notice of its adoption as required by law. Pursuant to Government Code section 36933, a summary of this Ordinance may be published and posted in lieu of publication and posting the entire text.

INTRODUCED and first read at a regular meeting of the City Council on the 5th day of April 2016, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINING:

FINAL PASSAGE AND ADOPTION by the City Council occurred at a meeting thereof held on the 19th day of April, 2016, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINING:

MARC SPILLMAN, Mayor

ATTEST:

KELLY BUENDIA, City Clerk



CITY OF LAKEPORT

City Council ☒
City of Lakeport Municipal Sewer District ☐
Lakeport Redevelopment Successor Agency ☐
Lakeport Industrial Development Agency ☐
Municipal Financing Agency of Lakeport ☒

STAFF REPORT

RE: Discussion / Action Regarding Authorization, Preparation, Sale and Delivery of Municipal Financing Agency of Lakeport, Series 2016 Water Enterprise Revenue Bonds

MEETING DATE: 4/19/2016

SUBMITTED BY: Daniel Buffalo, Finance Director

PURPOSE OF REPORT: ☐ Information only ☐ Discussion ☒ Action Item

WHAT IS BEING ASKED OF THE CITY COUNCIL/BOARD:

The City Council is being asked to Adopt a Resolution adopting the USDA RUS Bulletin 1780-27 Loan Resolution, and a Resolution Approving a Trust Agreement, Installment Sale Agreement and Grant agreement and Certain other Documents in Connection with the Authorization, Preparation, Sale and Delivery of Municipal Financing Agency of Lakeport, Series 2016 Water Enterprise Revenue Bonds, and Authorizing and Directing Certain Actions with Respect thereto.

The Agency Board is being asked to Adopt Resolution No. JPA-02 (2016) Approving a Trust Agreement, Installment Sale Agreement, Assignment Agreement and Certain other Documents in Connection with the Authorization, Preparation, Sale and Delivery of Municipal Financing Agency of Lakeport, Series 2016 Water Enterprise Revenue Bonds, and Authorizing and Directing Certain Actions with Respect thereto.

BACKGROUND/DISCUSSION:

On July 23, 2013 the City Council adopted Resolution No. 2479 (2013), Approving the Form of and Authorizing and Directing Execution and Delivery of a Loan Agreement Providing for the Issuance of Series 2013 Water Revenue Notes for the purpose of providing bridge financing for City's Water System Improvement Project, which included (i) the acquisition and installation of Water Meters, (ii) the acquisition and installation of a Supervisory Control and Data Acquisition System (SCADA) radio communication system, and (iii) well relocation and protection for existing City water wells Located in Scotts Creek (collectively, the "Project").

On September 25, 2013 the City issued \$6,675,000 (Not to Exceed) aggregate principal amount of the "City of Lakeport, Series 2013 Water Revenue Notes (2013 Water Enterprise Improvement Project), Bank Qualified" (the "Notes"), evidencing a loan (the "Loan") made by the Bank of Nevada (the "Bank") to the City pursuant to a Loan Agreement, dated as of September 1, 2013, by and between Bank and the City (the "Loan Agreement"). The Notes bear interest at the rate of 1.99% per annum, and have an outstanding balance of \$4,793,848 (the "Note Payoff Amount").

All components of the USDA water project have been completed with the exception of the SCADA system replacement, the water portion of which is due to be complete by this coming May. Completed projects included the following:

- Purchase of Green Ranch property to secure well sites
- Repair and rehabilitation of ground water storage tanks
- Electronic water meters, city-wide
- New SCADA (Supervisory Control and Data Acquisition) system

The take-out financing for the Note Payoff Amount will come from a combination grant and loan from the United States Department of Agriculture (USDA), including a not-to-exceed \$3,182,000 loan component (the "Loan Component") and a \$1,563,000 grant component (the "Grant Component"), with the balance approximately \$50,000 coming from unspent Bank of Nevada loan amounts in the Water Enterprise Fund]. This type of financing requires utilizing the newly formed Municipal Financing Agency of Lakeport (the "Agency") to enter into certain agreements (described below) with the City. The Agency will then issue its Municipal Financing Agency of Lakeport, Series 2016 Water Enterprise Revenue Bonds, in the aggregate principal amount of the Loan Component (the "Bonds"), the repayment of which will come from net revenues of the water enterprise fund.

SUMMARY OF FINANCING DOCUMENTS:

The subject resolutions essentially authorize and approve the form of all the base legal documents (the "Financing Documents") necessary to provide for the successful issuance of the Bonds. The adoption of each Resolution is a legal prerequisite to allow for the completion of the appropriate documentation necessary for the USDA/Bonds finalization. The accompanying Financing Documents comprise a financing structure that is considered standard for California cities to legally incur debt secured by water enterprise fund revenues, and is acceptable to USDA, as the purchaser of the Bonds. In using this financing structure, an installment sale arrangement must be established with a third-party governmental entity. The newly-formed Agency is being used to serve this purpose for this financing transaction.

The Financing Documents are being presented to both the City Council and Agency Board as "form-only documents." The actual final forms cannot be produced at this time because some of the exact amounts, dates, and other information will not be known until the actual sale date. The subject resolutions authorize and direct certain City and Agency officers and staff to finalize the Financing Documents as and when appropriate, and to do all things necessary to provide for the issuance of the Bonds, which is expected to occur sometime towards the middle of May. If the final terms for any reason should fall outside the parameters established by the City and the Agency, staff will return for further direction before finalizing the transaction, although we presently have no reason to believe that this will occur.

The Financing Documents can be succinctly summarized as follows: The Agency sells the Bonds directly to USDA and uses the proceeds of the Bonds, along with the Grant Component proceeds, to prepay the Notes in full. Pursuant to the Installment Sale Agreement the City is "purchasing" the Project from the Agency in exchange for making the semi-annual Installment Payments which are assigned to the "Trust Administrator" (which role is being served by the City Finance Director), who then makes corresponding semi-annual debt service payments directly to USDA. The Bonds are to be issued as limited debt obligations, and therefore it is only City's Water Enterprise fund that is being exposed to repayment risk. The proposed Bonds are structured to be tax-exempt and are pre-payable at any time without penalty.

The draft Financing Documents, and a brief description of each, is as follows:

Installment Sale Agreement: This agreement provides for the sale of the Project to the Agency, and then back to the City in exchange for the City's promise to make future semi-annual Installment Payments to the Agency, which semi-annual payments are commensurate with the debt service on the Bonds. In addition to making the Installment Payments, the City covenants to acquire and construct the Project in accordance with proper plans and specifications, and then to maintain the Project throughout the term of the Installment Sale Agreement, pay taxes, if any, and to maintain various forms of insurance.

Trust Agreement: This document provides for execution and delivery of the Bonds to USDA in exchange for proceeds in the par amount thereof, and further establishes the covenants and specifics of the Bonds, including (i) the application of proceeds to pay for the reimbursement, acquisition and construction costs of the proposed Project (as well as payment of the costs of issuance for the Bonds), (ii) the establishment of a reserve fund, (iii)

the Trust Administrator's duties, (iv) repayment mechanisms, (v) default and remedies provisions, and (vi) the Bond Owners (i.e., USDA) rights and remedies.

Assignment Agreement: This document provides the terms and conditions under which the Agency assigns the City's Installment Payments to the Trust Administrator, for ultimate payment to USDA.

Purchase Offer: The City will sell the Bonds to USDA pursuant to the terms of the Purchase Offer. The Purchase Offer states the conditions under which USDA will purchase the Bonds and requires the City to deliver all the duly authorized and executed documents and opinions at closing. The City also covenants that there is no material litigation against the City which would impair its ability to make Installment Payments or affect the Bonds. The sale is scheduled in accordance with the parameters described above.

FINANCIAL CONSIDERATIONS:

The attached Resolutions establish the legal and financial framework for the issuance of the Bonds for purposes prepaying and retiring all outstanding Notes. Pursuant to the Installment Sale Agreement, the City promises the owners of the Bonds (i.e., USDA) to annually budget and appropriate from the Water Enterprise Fund sufficient funds to make all Installment Payments pursuant to the Installment Sale Agreement. Annual payments and reserve requirements are expected to average approximately \$125,916.00 per year for 40 years. The interest rate is expected to be no more than 3.0%.

OPTIONS:

1. Approve the recommendation as presented.
2. Do not approve but provide direction to staff.

FISCAL IMPACT:

☐ None ☒ \$ Budgeted Item? ☒ Yes ☐ No

Budget Adjustment Needed? ☒ Yes ☐ No If yes, amount of appropriation increase: \$

Affected fund(s): ☐ General Fund ☐ Water OM Fund ☐ Sewer OM Fund ☐ Other:

Comments:

SUGGESTED MOTIONS:

Sitting as the Lakeport City Council:

1. Move to adopt a Resolution adopting the USDA RUS Bulletin 1780-27 Loan Resolution, and
2. Further move to adopt a Resolution approving a Trust Agreement, Installment Sale Agreement and Grant agreement and Certain other Documents in Connection with the Authorization, Preparation, Sale and Delivery of Municipal Financing Agency of Lakeport, Series 2016 Water Enterprise Revenue Bonds, and Authorizing and Directing Certain Actions with Respect thereto.

Sitting as the Board of the Municipal Financing Agency of Lakeport:

1. Move to adopt a Resolution approving a Trust Agreement, Installment Sale Agreement, Assignment Agreement and Certain other Documents in Connection with the Authorization, Preparation, Sale and Delivery of Municipal Financing Agency of Lakeport, Series 2016 Water Enterprise Revenue Bonds, and Authorizing and Directing Certain Actions with Respect thereto.

☒ **Attachments:**

1. Resolution adopting the USDA RUS Bulletin 1780-27 Loan Resolution
2. Resolution approving a Trust Agreement, Installment Sale Agreement and Grant agreement and Certain other Documents in Connection with the Authorization, Preparation, Sale and Delivery of Municipal Financing Agency of Lakeport, Series 2016 Water Enterprise Revenue Bonds, and Authorizing and Directing Certain Actions with Respect thereto.
3. JPA Resolution approving a Trust Agreement, Installment Sale Agreement, Assignment Agreement and Certain other Documents in Connection with the

Authorization, Preparation, Sale and Delivery of Municipal Financing Agency of Lakeport, Series 2016 Water Enterprise Revenue Bonds, and Authorizing and Directing Certain Actions with Respect thereto.

4. Installment Sale Agreement
5. Trust Agreement
6. Assignment Agreement
7. Grant Agreement
8. Purchase Offer

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKEPORT
APPROVING AND ADOPTING USDA RUS BULLETIN 1780-27 LOAN
RESOLUTION PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR
THE PURPOSE OF PROVIDING A PORTION OF THE COST OF ACQUIRING,
CONSTRUCTION, ENLARGING, IMPROVING AND/OR EXTENDING THE CITY
OF LAKEPORT 2016 WATER SYSTEM IMPROVEMENT PROJECT**

WHEREAS, the City of Lakeport (the “City”), working together with the Municipal Financing Agency of Lakeport, a California joint powers authority duly organized and existing under and by virtue of the laws of the State of California (the “Agency”), have agreed to enter into certain contractual relations for the purpose, among other things, of providing financing for public capital improvements of the City; and

WHEREAS, in March 2013 the United States Department of Agriculture (USDA) Rural Development issued a Letter of Conditions to fund the City’s 2016 Water System Improvement Project (the “Project”), that includes a not-to-exceed \$3,182,000.00 loan and a \$1,563,000.00 grant component; and

WHEREAS, as part of the Letter of Conditions, the USDA requires that the City Council to adopt a RUS Bulletin 1780-27 Loan Resolution Authorizing and Providing for the Incurrence of Indebtedness for the Purpose of Providing for a portion of the Cost of Acquiring, Construction, Enlarging, Improving and/or Extending the City of Lakeport 2016 Water System Improvement Project (the “USDA Loan Resolution No. 1780-27”).

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Lakeport hereby orders and determines as follows:

Section 1. Recitals and Findings. The City Council hereby specifically finds and declares that each of the statements, findings and determinations of the City set forth in the recitals set forth above and in the preambles of the USDA Loan Resolution No. 1780-27 approved herein are true and correct.

Section 2. Authorized Representatives. The Mayor, Mayor Pro Tem, City Manager, Finance Director and City Clerk or Acting City Clerk, and any other person authorized by the City Council to act on behalf of the City shall each be an “Authorized Representative” of the City for the purposes of USDA Loan Resolution No. 1780-27, and are hereby authorized, jointly and severally, for and in the name of and on behalf of the City, to execute and deliver any and all documents and certificates that may be required, and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the City has approved in this Resolution and USDA Loan Resolution No. 1780-27.

Section 3. Approval and Adoption of USDA Loan Resolution No. 1780-27. The City Council hereby approves and adopts USDA Loan Resolution No. 1780-27, attached hereto and made a part hereof, on behalf of the City of Lakeport.

Section 4. Official Actions. Each Authorized Representative is hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions,

including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, may deem necessary or advisable in order to consummate any of the transactions contemplated by the documents approved pursuant to this Resolution and USDA Loan Resolution No. 1780-27.

Section 5. Effective Date. This Resolution and USDA Loan Resolution No. 1780-27 shall take effect from and after the date of their passage and adoption.

The foregoing Resolution and USDA Loan Resolution No. 1780-27 were adopted at a regular meeting of the City Council of the City of Lakeport held on the on the 19th day of April, 2016 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

APPROVED

MARC SPILLMAN, MAYOR

ATTEST

KELLY BUENDIA, CITY CLERK

LOAN RESOLUTION
(Public Bodies)

A RESOLUTION OF THE _____ CITY COUNCIL

OF THE _____ CITY OF LAKEPORT

AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING A PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS

_____ WATER SYSTEM IMPROVEMENT PROJECT

FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE.

WHEREAS, it is necessary for the _____ CITY OF LAKEPORT

(Public Body)

(herein after called Association) to raise a portion of the cost of such undertaking by issuance of its bonds in the principal amount of

\$3,182,000.00pursuant to the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Act"), and as authorized pursuant to Article 4 (commencing with Section 6584) of the Act; and**WHEREAS**, the Association intends to obtain assistance from the United States Department of Agriculture, (herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) in the planning, financing, and supervision of such undertaking and the purchasing of bonds lawfully issued, in the event that no other acceptable purchaser for such bonds is found by the Association:**NOW THEREFORE**, in consideration of the premises the Association hereby resolves:

1. To have prepared on its behalf and to adopt an ordinance or resolution for the issuance of its bonds containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government.
2. To refinance the unpaid balance, in whole or in part, of its bonds upon the request of the Government if at any time it shall appear to the Government that the Association is able to refinance its bonds by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).
3. To provide for, execute, and comply with Form RD 400-4, "Assurance Agreement," and Form RD 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of \$10,000.
4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the Association. Such indemnification shall be payable from the same source of funds pledged to pay the bonds or any other legal ly permissible source.
5. That upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.
6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so, without the prior written consent of the Government.
7. Not to defease the bonds, or to borrow money, enter into any contractor agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the bonds.
8. To place the proceeds of the bonds on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.
9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.
10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. Revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. Revenue cannot be used to pay any expenses which are not directly incurred for the facility financed by USDA. No free service or use of the facility will be permitted.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0121. The time required to complete this information collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

ATTACHMENT 1

11. To acquire and maintain such insurance and fidelity bond coverage as may be required by the Government.
12. To establish and maintain such books and records relating to the operation of the facility and its financial affairs and to provide for required audit thereof as required by the Government, to provide the Government a copy of each such audit without its request, and to forward to the Government such additional information and reports as it may from time to time require.
13. To provide the Government at all reasonable times access to all books and records relating to the facility and access to the property of the system so that the Government may ascertain that the Association is complying with the provisions hereof and of the instruments incident to the making or insuring of the loan.
14. That if the Government requires that a reserve account be established, disbursements from that account(s) may be used when necessary for payments due on the bond if sufficient funds are not otherwise available and prior approval of the Government is obtained. Also, with the prior written approval of the Government, funds may be withdrawn and used for such things as emergency maintenance, extensions to facilities and replacement of short lived assets.
15. To provide adequate service to all persons within the service area who can feasibly and legally be served and to obtain USDA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the Association or public body.
16. To comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.
17. To accept a grant in an amount not to exceed \$ 750,000.00

under the terms offered by the Government; that the Mayor, Mayor Pro Tem, City Manager, Finance Director

and City Clerk of the Association are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant; and to operate the facility under the terms offered in said grant agreement(s).

The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instrument, shall be binding upon the Association as long as the bonds are held or insured by the Government or assignee. The provisions of sections 6 through 17 hereof may be provided for in more specific detail in the bond resolution or ordinance; to the extent that the provisions contained in such bond resolution or ordinance should be found to be inconsistent with the provisions hereof, these provisions shall be construed as controlling between the Association and the Government or assignee.

The vote was: Yeas _____ Nays _____ Absent _____

IN WITNESS WHEREOF, the _____ of the

_____ has duly adopted this resolution and caused it

to be executed by the officers below in duplicate on this _____, _____ day of _____

(SEAL)

By _____

Attest:

Title _____

Title _____

CERTIFICATION TO BE EXECUTED AT LOAN CLOSING

I, the undersigned, as _____ of the _____
hereby certify that the _____ of such Association is composed of
_____ members, of whom , _____ constituting a quorum, were present at a meeting thereof duly called and
held on the _____ day of _____ ; and that the foregoing resolution was adopted at such meeting
by the vote shown above, I further certify that as of _____ ,
the date of closing of the loan from the United States Department of Agriculture, said resolution remains in effect and has not been
rescinded or amended in any way.

Dated, this _____ day of _____

Title _____

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKEPORT
APPROVING, AUTHORIZING AND DIRECTING EXECUTION OF A TRUST
AGREEMENT, INSTALLMENT SALE AGREEMENT AND GRANT AGREEMENT
AND PROVIDING FOR OTHER MATTERS PROPERLY RELATED THERETO**

WHEREAS, the City of Lakeport (the “City”), working together with the Municipal Financing Agency of Lakeport, a California joint powers authority duly organized and existing under and by virtue of the laws of the State of California (the “Agency”), have agreed to enter into certain contractual relations for the purpose, among other things, of providing financing for public capital improvements of the City; and

WHEREAS, for the purpose of providing financing for the proposed new water facilities (the “Facilities”), all as more particularly described in Exhibit A to the hereinafter approved Installment Sale Agreement (the “Project”), the City is hereby requesting the Agency to issue its City of Lakeport, Series 2016 Water Enterprise Revenue Bonds, in the aggregate principal amount of not to exceed \$3,500,000 (the “Bonds”), all pursuant to and secured by an Trust Agreement (the “Trust Agreement”), dated as of May 1, 2016, by and among the City, the Agency and the Finance Director of the City of Lakeport, as trust administrator (the “Trustee Administrator”); and

WHEREAS, the City proposes to purchase the Project from the Agency pursuant to a certain Installment Sale Agreement (the “Installment Sale Agreement”), dated as of May 1, 2016, by and between the Agency and the City, whereby the City will make prescribed installment payments (the “Installment Payments”) from the water enterprise fund, commensurate with the debt service scheduled for the repayment of the Bonds; and

WHEREAS, to further implement the foregoing, the Agency and the Trustee Administrator propose to execute and enter into an Assignment Agreement (the “Assignment Agreement”), dated as of May 1, 2016, whereby the Agency will assign to the Trustee Administrator all of its rights and entitlements under the Installment Sale Agreement, including but not limited to the entitlement to receive the Installment Payments from the City; and

WHEREAS, the City and Agency propose to sell the Bonds to the United States of America, Acting Through Rural Utility Service, United States Department of Agriculture, California (hereafter referred to as “USDA”), pursuant to USDA’s Purchase Offer (the “Purchase Offer”), all on the terms and conditions herein set forth and as provided in the Trust Agreement and Installment Sale Agreement; and

WHEREAS, the USDA has awarded a grant, in accordance with the corresponding Grant Agreement (the “Grant Agreement”), which will provide financial assistance for the Project;

WHEREAS, the City Council desires to designate the Bonds as a “Qualified Tax-Exempt Obligation” for purposes of Paragraph (3) of Section 265(b) of the Code; and

WHEREAS, the City, with the aid of its staff, has reviewed the Trust Agreement, the Installment Sale Agreement, the Assignment Agreement and the Purchase Offer, the forms of which are on file with the

City Clerk, and the City Council wishes at this time to approve the foregoing in the public interests of the City; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of such financing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the City is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing for the Project in the manner and upon the terms herein provided; and

WHEREAS, the City Council wishes at this time to authorize all proceedings relating to the Project and the issuance of the Bonds and the execution and delivery of all agreements and documents relating thereto; and

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Lakeport hereby orders and determines as follows:

Section 1. Recitals and Findings. The City Council hereby specifically finds and declares that each of the statements, findings and determinations of the City set forth in the recitals set forth above and in the preambles of the documents approved herein are true and correct and that the financing of the Project will result in significant public benefits for the residents of the City. The City Council hereby further finds and determines that the total installment payments to be paid under the Installment Sale Agreement does not exceed the fair market value of the Project as set forth in the Installment Sale Agreement.

Section 2. Authorized Representatives. The Mayor, Mayor Pro Tem, City Manager, Finance Director and City Clerk or Acting City Clerk, and any other person authorized by the City Council to act on behalf of the City shall each be an “Authorized Representative” of the City for the purposes of structuring and providing for the issuance of the Bonds, and are hereby authorized, jointly and severally, for and in the name of and on behalf of the City, to execute and deliver any and all documents and certificates that may be required to be executed in connection with the sale of the Bonds (including the investment of proceeds of the Bonds), and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the City has approved in this Resolution.

Section 3. Approval of the Issuance of the Bonds; Significant Public Benefits. The City Council hereby approves the issuance of the Bonds by the Agency in a principal amount of not to exceed \$3,500,000, all as above described. The City Council hereby finds and determines that the issuance and sale of the Bonds by the Agency to USDA will result in savings in effective interest rates, underwriting costs and issuance costs and thereby result in significant public benefits to the City and Agency.

Section 4. Appointment of Trustee Administrator. The Finance Director is hereby appointed to act as Trustee Administrator under the Trust Agreement unless and until replaced in accordance with the provisions of the Trust Agreement.

Section 5. Approval of Installment Sale Agreement. The City Council hereby authorizes and approves the purchase of the Project by the City pursuant to the Installment Sale Agreement. The City Council hereby approves the Installment Sale Agreement in substantially the form on file with the City Clerk together with any additions thereto or changes therein (including, but not limited to, the final amount of the sale price for the Project and the final debt service payment schedule) deemed necessary or advisable by an Authorized Representative of the City. Any Authorized Representative of the City is hereby authorized and directed to execute, and the City Clerk is hereby authorized and directed to attest and affix the seal of the City to, the final form of the Installment Sale Agreement for and in the name and on behalf of the City and the execution thereof shall be conclusive evidence of the City Council's approval of any such additions and changes. The City Council hereby authorizes the delivery and performance of the Installment Sale Agreement.

Section 6. Approval of Trust Agreement. The City Council hereby approves the Trust Agreement in substantially the form on file with the City Clerk and consents to such revisions, amendments and completions as shall be approved by an Authorized Representative of the City. Any Authorized Representative of the City is hereby authorized and directed to execute, and the City Clerk is hereby authorized and directed to attest and affix the seal of the City to, the final form of the Trust Agreement for and in the name and on behalf of the City and the execution thereof shall be conclusive evidence of the City Council's approval of any such additions and changes. The City Council hereby authorizes the delivery and performance of the Trust Agreement.

Section 7. Approval of Assignment Agreement. The form of the Assignment Agreement presented to this meeting and on file with the City Clerk, is hereby approved. Each of the Authorized Representatives is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver to the Agency the Assignment Agreement in substantially said form, with such changes therein as the Authorized Representative or Representatives executing the Assignment Agreement may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof by one or more of the Authorized Representatives.

Section 8. Approval of Grant Agreement. The form of the Grant Agreement presented to this meeting and on file with the City Clerk, is hereby approved. Each of the Authorized Representatives is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver to the USDA the Grant Agreement in substantially said form, with such changes therein as the Authorized Representative or Representatives executing the Grant Agreement may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof by one or more of the Authorized Representatives.

Section 9. Qualified Tax-Exempt Obligation. The City Council hereby designates the Installment Sale Agreement and the Bonds for purposes of Paragraph (3) of Section 265(b) of the Code as a "Qualified Tax-Exempt Obligation" and covenants that the Installment Sale Agreement and the Bonds do not constitute a private activity bond as defined in Section 141 of the Code and that the aggregate face amount of all tax-exempt obligations issued by the City (including all subordinate entities of the City and all entities which may issue obligations on behalf of the City) during the calendar year 2016 is not reasonably expected to exceed \$10,000,000, excluding, however, private activity bonds, as defined in Section 141 of

the Code (other than qualified 501(c)(3) bonds as defined in Section 145 of the Code) and current refunding obligations having a principal amount not in excess of the refunded obligation.

Section 10. Official Actions. Each Authorized Representative is hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, may deem necessary or advisable in order to consummate any of the transactions contemplated by the documents approved pursuant to this Resolution.

Section 11. 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 Lakeport held on the on the 19th day of April, 2016 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

APPROVED

MARC SPILLMAN, MAYOR

ATTEST

KELLY BUENDIA, CITY CLERK

RESOLUTION NO. JPA-02 (2016)

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE MUNICIPAL FINANCING AGENCY OF LAKEPORT APPROVING A TRUST AGREEMENT, INSTALLMENT SALE AGREEMENT, ASSIGNMENT AGREEMENT AND CERTAIN OTHER DOCUMENTS IN CONNECTION WITH THE AUTHORIZATION, PREPARATION, SALE AND DELIVERY OF MUNICIPAL FINANCING AGENCY OF LAKEPORT, SERIES 2016 WATER ENTERPRISE REVENUE BONDS, AND AUTHORIZING AND DIRECTING CERTAIN ACTIONS WITH RESPECT THERETO

WHEREAS, the Municipal Financing Agency of Lakeport (the “Agency”), a joint exercise of powers authority organized and existing under the laws of the State of California, was formed pursuant to the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”), and is authorized pursuant to Article 4 of the Act (the “Bond Law”) to borrow money for the purpose of, among other things, making loans, buying securities, purchasing facilities, and providing for installment sale arrangements to assist the City of Lakeport (the “City”) further its public purposes; and

WHEREAS, the City has requested the assistance of the Agency to cause Series 2016 Water Enterprise Revenue Bonds (the “Bonds”) to be delivered to the United States of America, Acting Through Rural Utility Service, United States Department of Agriculture, California (hereafter referred to as “USDA”) in the aggregate principal amount of not to exceed \$3,500,000 for the purpose of providing permanent long-term take-out financing for the prepayment of all currently outstanding City of Lakeport, Series 2013 Water Revenue Notes (2013 Water Enterprise Improvement Project), Bank Qualified” (the “Notes”), the proceeds of which Notes were used to acquire and construct certain new domestic water facilities commonly referred to as the City of Lakeport Water System Improvement Project (the “Project”); and

WHEREAS, the Bonds will be issued pursuant to and secured by a Trust Agreement (the “Trust Agreement”), dated as of May 1, 2016, by and among the City, the Agency and the Finance Director of the City, as trust administrator (the “Trust Administrator”); and

WHEREAS, the Bonds will be sold to USDA pursuant to (i) Resolution No. ____ (2016) (Adopting USDA RUS Bulletin 1780-27 Loan Resolution) adopted by the City Council of the City (the “City Council”) on April 19, 2016, (ii) Resolution No. ____ (2016), adopted by the City Council on April 19, 2016; (iii) this resolution (collectively, the “Resolutions”), and (iv) USDA’s written offer to purchase the Bonds from the Agency pursuant to the terms and conditions of the Trust Agreement (the “Purchase Offer”); and

WHEREAS, the City proposes to purchase the Project, from the Agency pursuant to a certain Installment Sale Agreement (the “Installment Sale Agreement”), dated as of May 1, 2016, by and between the City and the Agency; and

WHEREAS, the City will make installment payments pursuant to the Installment Sale Agreement (the “Installment Payments”) from the Net Revenues (as defined therein) of the Water System in order to purchase the Project from the Agency; and

WHEREAS, to implement the foregoing, the Agency and the Trust Administrator propose to execute

and enter into an Assignment Agreement (the “Assignment Agreement”), dated as of May 1, 2016, whereby the Agency will assign to the Trust Administrator all of its rights and entitlements under the Installment Sale Agreement, including but not limited to the entitlement to receive the Installment Payments from the City; and

WHEREAS, the Agency propose to sell the Bonds to USDA pursuant to USDA’s Purchase Offer (the “Purchase Offer”), all on the terms and conditions herein set forth and as provided in the Trust Agreement and Installment Sale Agreement; and

WHEREAS, the Agency, with the aid of its staff, has reviewed the Purchase Offer, the Trust Agreement, the Installment Sale Agreement and the Assignment Agreement, the forms of which are on file with the Secretary of the Board of Directors of the Agency (the “Secretary”), and the Board of Directors of the Agency (the “Board”) wishes at this time to approve the foregoing in the public interests of the Agency; and

WHEREAS, the Agency desires to designate the Bonds for purposes of Paragraph (3) of Section 265(b) of the Code as a “Qualified Tax-Exempt Obligation;” and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of such financing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Agency is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing for the Project in the manner and upon the terms herein provided; and

NOW, THEREFORE, IT IS HEREBY DETERMINED AND RESOLVED BY THE BOARD OF DIRECTORS OF THE MUNICIPAL FINANCING AGENCY OF LAKEPORT AS FOLLOWS:

Section 1. Recitals and Findings. The Board hereby specifically finds and declares that each of the statements, findings and determinations of the Agency set forth in the recitals set forth above and in the preambles of the documents approved herein are true and correct. The Board hereby further finds and determines that the total payments to be paid under the Installment Sale Agreement does not exceed the fair market value of the Project as set forth in the Installment Sale Agreement.

Section 2. Authorized Representatives. The Chairperson, Vice-Chairperson, Executive Director, Treasurer, Secretary, and any other person authorized by the Board to act on behalf of the Agency shall each be an “Authorized Representative” of the Agency for the purposes of structuring and providing for the issuance of the Bonds, and are hereby authorized, jointly and severally, for and in the name of and on behalf of the Agency, to execute and deliver any and all documents and certificates that may be required to be executed in connection with the execution and delivery of the Bonds, and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the Board has approved in this Resolution.

Section 3. Bonds. The Board hereby authorizes the preparation, sale and delivery of the Bonds in an aggregate principal amount not to exceed \$3,500,000 in accordance with the terms and provisions of the Trust Agreement.

Section 4. Bond Documents. The form of the Installment Sale Agreement, the Trust Agreement,

Purchase Offer and the Assignment Agreement presented at this meeting are approved. The Chairperson, Vice-Chairperson, Executive Director, Treasurer or Secretary of the Agency, and any other person authorized by the Board to act on behalf of the Agency, is authorized and directed to execute, deliver or acknowledge said agreements. Such agreements shall be executed or acknowledged, as the case may be, in substantially the forms hereby approved, with such changes, insertions and omissions as may be recommended by the Agency and approved by the officers executing the same, said execution being conclusive evidence of such approval.

Section 5. Appointment of Trust Administrator. The Finance Director is hereby appointed to act as Trust Administrator under the Trust Agreement unless and until replaced in accordance with the provisions of the Trust Agreement.

Section 6. Qualified Tax-Exempt Obligation. The Board hereby designates the Installment Sale Agreement and the Bonds for purposes of Paragraph (3) of Section 265(b) of the Code as a “Qualified Tax-Exempt Obligation” and covenants that the Bonds do not constitute a private activity bond as defined in Section 141 of the Code and that the aggregate face amount of all tax-exempt obligations issued by the Agency (including all subordinate entities of the Agency and all entities which may issue obligations on behalf of the Agency) during the calendar year 2016 is not reasonably expected to exceed \$10,000,000, excluding, however, private activity bonds, as defined in Section 141 of the Code (other than qualified 501(c)(3) bonds as defined in Section 145 of the Code) and current refunding obligations having a principal amount not in excess of the refunded obligation.

Section 7. Other Actions. The Chairperson, Vice-Chairperson, Executive Director, Treasurer or Secretary, and such other officers of the Agency are authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate the sale and delivery of the Bonds, and the delivery of the Purchase Offer, Installment Sale Agreement, Trust Agreement and Assignment Agreement and otherwise effectuate the purposes of this Resolution.

Section 8. Effect. This Resolution shall take effect immediately from and after the date of its passage and adoption.

* * * * *

THE FOREGOING RESOLUTION WAS PASSED AND ADOPTED by the members of the Municipal Financing Agency of Lakeport at its regular meeting held on April 19, 2016, by the following roll call vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Marc Spillman, Chairperson

ATTEST:

Kelly Buendia, Secretary

* * * * *

I hereby certify that the foregoing is a true and correct copy of a Resolution duly adopted by the MUNICIPAL FINANCING AGENCY OF LAKEPORT, a joint exercise of powers authority organized and existing under the laws of the State of California, at a regular meeting of the Board of Directors thereof duly called and held at the office of the Agency on the 19th day of April, 2016.

(SEAL)

Kelly Buendia, Secretary
MUNICIPAL FINANCING AGENCY OF LAKEPORT

INSTALLMENT SALE AGREEMENT

Dated as of May 1, 2016

by and between the

**MUNICIPAL FINANCING AGENCY OF LAKEPORT,
as Seller**

and the

**CITY OF LAKEPORT,
as Purchaser**

Relating to

**\$ _____
MUNICIPAL FINANCING AGENCY OF LAKEPORT
(City of Lakeport, California)
SERIES 2016 WATER ENTERPRISE REVENUE BONDS
(Water System Improvement Project)
BANK QUALIFIED**

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INSTALLMENT SALE AGREEMENT

THIS INSTALLMENT SALE AGREEMENT, dated as of May 1, 2016, by and between the MUNICIPAL FINANCING AGENCY OF LAKEPORT, a California joint powers authority duly organized and existing pursuant to the laws of the State of California, as seller (the “Agency”), and the CITY OF LAKEPORT, a general law city and public agency duly organized and validly existing under the constitution and laws of the State of California, as purchaser (the “City”);

WITNESSETH:

WHEREAS, the City wishes to finance the acquisition and construction of certain improvements to its water system (the “Water System”), as more particularly described in Exhibit A hereto (the “Project”); and

WHEREAS, the Agency has been formed for the purpose, among others, of assisting municipalities such as the City in the financing of public capital improvements within or of benefit to the City; and

WHEREAS, to that end, the Agency will cause the execution and delivery of Series 2016 Water Enterprise Revenue Bonds in the principal amount of \$_____ (the “Bonds”), and apply the proceeds of the sale thereof to the acquisition and construction of the Project; and

WHEREAS, the City has determined to purchase the Project from the Agency pursuant to this Installment Sale Agreement; and

WHEREAS, the City will make installment payments pursuant to this Installment Sale Agreement (the “Installment Payments”) from the Net Revenues (as defined herein) of the Water System in order to purchase the Project from the Agency; and

WHEREAS, the Agency will assign its right to receive Installment Payments to the Finance Director of the City of Lakeport, as trust administrator, pursuant to an Assignment Agreement, dated as of May 1, 2016 (the “Assignment Agreement”) for the benefit of the Owners (as defined herein) of the Bonds;

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

GENERAL

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in the Trust Agreement, dated as of May 1, 2016, by and among the Finance Director of the City of Lakeport, as Trust Administrator, the Agency and the City, shall, for all purposes of this Installment Sale Agreement, have the meanings specified therein.

Section 1.02. Representations, Covenants and Warranties. The City and the Agency represent, covenant and warrant to each other as follows:

- (a) Each is validly organized and existing under the laws of the State.
- (b) The laws of the State authorize each to enter into this Installment Sale Agreement and the Trust Agreement and to enter into the transactions contemplated by and to carry out its obligations under each of the aforesaid agreements, and each is duly authorized to execute such agreements.
- (c) The execution and delivery of this Installment Sale Agreement, the Trust Agreement, the fulfillment of or compliance with the terms and conditions hereof or thereof, and the consummation of the transactions contemplated by this Installment Sale Agreement and the Trust Agreement do not conflict with and do not result in a material breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which either is now a party or by which either is bound or constitutes a default under any such agreement or instrument.
- (d) Each has duly executed this Installment Sale Agreement and the Trust Agreement in accordance with the laws of the State.
- (e) The Project has not been the subject of a previous conveyance by the City.
- (f) The City has not issued or incurred any obligations which are currently outstanding having any priority in payment out of the Gross Revenues or the Net Revenues over the payment of the Installment Payments as provided herein.

Section 1.03. Written Certificates.

(a) **Contents.** Every Written Certificate provided for in this Installment Sale Agreement with respect to compliance with any provision hereof (other than Written Certificates delivered on the Closing Date) shall include (a) a statement that the person making or giving such Written Certificate or opinion has read such provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the Written Certificate is based; (c) a statement that, in the opinion of such person, he or she has made or caused to be made such examination or investigation as is necessary to enable him or her to express an informed opinion with respect to the subject matter referred to in the instrument to which his or her signature is affixed; (d) a statement of the assumptions upon which such Written Certificate is based, and that such assumptions are reasonable; and (e) a statement as to whether, in the opinion of such person, such provision has been complied with.

(b) Reliance. Any such Written Certificate made or given by a City Representative may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel or an accountant, unless such City Representative knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such Written Certificate may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel or an accountant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the City, as the case may be) upon a certificate or opinion of or representation by a City Representative, unless such counsel or accountant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representation may be based is erroneous. The same City Representative, or the same counsel or accountant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Installment Sale Agreement, but different officers, counsel or accountants may certify to different matters, respectively.

Section 1.04. Exhibits. The following Exhibits are attached to, and by this reference are made a part of, this Installment Sale Agreement:

Exhibit A: Project Description
Exhibit B: Installment Payments Schedule

ARTICLE II

DEPOSITS; PAYMENTS ; CONSTRUCTION

Section 2.01. Deposit of Moneys. The Agency shall cause to be deposited with the Trust Administrator, the amounts derived, from time to time, as advances of the proceeds of the Bonds (to be an aggregate of \$_____) in the funds as provided in the Trust Agreement.

Section 2.02. Payment of Construction Costs and Delivery Costs. Payment of the Construction Costs and Delivery Costs shall be made from the moneys deposited with the Trust Administrator in the Construction Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with Sections 3.02 and 3.03, respectively, of the Trust Agreement. The City hereby covenants to pay necessary Construction Costs and Delivery Costs in excess of amounts available from Bonds proceeds from any legally available source of funds.

Section 2.03. Unexpended Proceeds. In accordance with Section 3.04 of the Trust Agreement, all excess moneys remaining in the Construction Fund and not required for payment of Construction Costs shall be transferred to the Installment Payment Fund and applied to the prepayment of Bonds.

Section 2.04. Construction of Project. The Agency hereby appoints the City as its agent to acquire and construct the Project.

ARTICLE III

PROJECT SALE AND TITLE; INSTALLMENT PAYMENTS; NET REVENUES

Section 3.01. Sale. The Agency hereby sells, bargains and conveys the Project to the City, and the City hereby purchases the Project from the Agency upon the terms and conditions set forth in this Installment Sale Agreement.

Section 3.02. Title. The City and the Agency agree that title to the Project, and each component thereof, shall be deemed conveyed to and vested in the City upon the completion of the acquisition, construction and installation thereof. The Agency and its officers shall take all actions necessary to vest in the City all of the Agency's rights in and title to the Project.

Section 3.03. Assignment by the Agency. The Agency's right, title and interest in this Installment Sale Agreement, including the right to receive and enforce payment of the Installment Payments to be made by the City under this Installment Sale Agreement, have been assigned to the Trust Administrator, subject to certain exceptions, pursuant to the Assignment Agreement, to which assignment the City hereby consents. The City understands and agrees that the Agency has assigned its right, title and interest (but not its duties or obligations) in this Installment Sale Agreement to the Trust Administrator pursuant to the Assignment Agreement for the benefit of the Owners of the Bonds. The Agency hereby directs the City, and the City hereby agrees, to pay to the Trust Administrator at the Trust Administrator's Trust Office or at such other place as the Trust Administrator shall direct in writing, all payments payable by the City pursuant to this Installment Sale Agreement.

Section 3.04. Term of the Installment Sale Agreement. The Term of the Installment Sale Agreement shall be as provided in the Trust Agreement.

Section 3.05. Installment Payments.

(a) **Obligation to Pay.** The City agrees to pay to the Agency, its successors and assigns, as the purchase price of the Project, the Installment Payments, consisting of components of principal and interest, on the Installment Payment Dates and in the amounts specified in Exhibit B hereto, except such amounts shall be reduced by moneys on deposit in the Installment Payment Fund and credited to the payment of Installment Payments next due. The Installment Payments shall be payable solely from Net Revenues as hereinafter provided.

(b) **Reduction upon Partial Prepayment.** In the event the City prepays less than all of the remaining principal components of the Installment Payments pursuant to Sections 4.02 and 4.03 hereof, the amount of such prepayment shall be applied to reduce the principal component of the subsequent remaining Installment Payments in any manner as directed by the City in a Written Certificate and the interest component of each subsequent remaining Installment Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Bonds redeemed as a result of such prepayment.

(c) **Rate on Overdue Payments.** In the event the City should fail to make any of the payments required in this Section 3.05 so that there are insufficient moneys on hand in the Installment Payment Fund to pay any Installment Payment in full on an Installment Payment Date,

the Installment Payment in default shall continue as an obligation of the City until the amount in default shall have been fully paid and the City agrees to pay the same with interest thereon, to the extent permitted by law, from the date thereof at the rate of interest payable with respect to the Bonds.

Section 3.06. Special Obligation of the City.

(a) Limitations. The City's obligation to pay the Installment Payments shall be a special obligation limited solely to Net Revenues. Under no circumstances shall the City be required to advance any moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Installment Payments, nor shall any other funds or property of the City be liable for the payment of the Installment Payments.

(b) Obligations Unconditional. The obligations of the City to make the Installment Payments from Net Revenues and to perform and observe the other agreements contained herein shall be absolute and unconditional and shall not be subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach of the City, the Agency or the Trust Administrator of any obligation to the City or otherwise with respect to the Project, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the City by the Agency or the Trust Administrator.

(c) Obligations Specified. Until such time as all of the Installment Payments shall have been fully paid or prepaid, the City:

(i) will not suspend, abate, or discontinue any payments provided for in Section 3.05 hereof;

(ii) will perform and observe all other agreements contained in this Installment Sale Agreement; and

(iii) will not terminate the Term of the Installment Sale Agreement for any cause, including, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Project, the taking by eminent domain of title to or temporary use of any or all of the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either thereof or any failure of the Agency or the Trust Administrator to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Trust Agreement, the Assignment Agreement or this Installment Sale Agreement.

(d) Agency Obligations. Nothing contained in this Section 3.06 shall be construed to release the Agency from the performance of any of the agreements on its part herein contained, and in the event the Agency shall fail to perform any such agreements on its part, the City may institute such action against the Agency as the City may deem necessary to compel performance so long as such action does not abrogate the obligations of the City contained in Section 3.06(b) above. The City may, however, at the City's own cost and expense and in the City's own name or in the name of the Agency prosecute or defend any action or proceeding or take any other action involving third

persons which the City deems reasonably necessary in order to secure or protect the City's right of possession, occupancy and use hereunder, and in such event the Agency hereby agrees to cooperate fully with the City and to take such action necessary to effect the substitution of the City for the Agency in such action or proceeding if the City shall so request.

Section 3.07. Pledge of Net Revenues; Transfer to Pay Installment Payments; Release from Lien.

(a) **Pledge of Net Revenues.** The City hereby agrees that the payment of the Installment Payments shall be secured by a first pledge, charge and lien upon Net Revenues which pledge, charge and lien are on a parity with any Parity Debt, and Net Revenues sufficient to pay the Installment Payments as they become due and payable are hereby pledged, charged, assigned, transferred and set over by the City to the Agency and its assigns for the purpose of securing payment of the Installment Payments. The Net Revenues shall constitute a trust fund for the security and payment of the Installment Payments.

(b) **Transfer to Pay Installment Payments.** In order to provide for the payment of Installment Payments when due, the City shall, on or before each Installment Payment Date, transfer to the Trust Administrator for deposit into the Installment Payment Fund the amount indicated in Exhibit B attached hereto as required for the next occurring Installment Payment Date. Notwithstanding Exhibit B attached hereto, the City shall be obligated to make Installment Payments sufficient to pay all principal and interest due with respect to the Bonds.

(c) **Release from Lien.** Following the transfers described in paragraph (b) of this Section 3.07 with respect to Net Revenues allocable to such Fiscal Year in excess of amounts required for the payment of Parity Debt, if any issued or incurred in accordance with Section 3.09(b), and for the replenishment of the Reserve Fund in such Fiscal Year shall be released from the lien of this Installment Sale Agreement and shall be available for any lawful purpose of the City.

Section 3.08. Rate Covenant. The City hereby covenants that it shall prescribe, revise and collect such charges for the services and facilities of the Water System which, after allowances for contingencies and error in the estimates, shall produce Gross Revenues sufficient in each Fiscal Year to provide Net Revenues equal to at least 1.20 times (i) the Installment Payments coming due and payable during such Fiscal Year, (ii) all payments required with respect to Parity Debt and (iii) amounts required to replenish the Reserve Fund, as required by Section 6.06 of the Trust Agreement.

Section 3.09. Limitations on Future Obligations Secured by Net Revenues.

(a) **No Obligations Superior to Installment Payments.** In order to protect further the availability of the Net Revenues and the security for the Installment Payments and any Parity Debt, the City hereby agrees that the City shall not, so long as any Bonds are outstanding, issue or incur any obligations payable from Gross Revenues or Net Revenues superior to the Installment Payments or any Parity Debt.

(b) Parity Debt. The City further covenants that, except for obligations issued or incurred to prepay the Installment Payments in full pursuant to Section 4.02 hereof, the City shall not issue or incur any Parity Debt unless:

(i) The City is not in default under the terms of this Installment Sale Agreement;

(ii) Net Revenues, calculated on sound accounting principles, as shown by the books of the City for the latest Fiscal Year or any more recent 12-month period selected by the City ending not more than 60 days prior to the adoption of the resolution pursuant to which instrument such parity debt is issued or incurred, as shown by the books of the City, plus the estimated amount of the increase in the Net Revenues for the first full 12-month period in which the proposed additions to or improvements or extensions of the Water System to be funded by such Parity Debt will be in operation, as shown by an opinion of an independent recognized consulting engineer, equals at least 1.20 times the sum of the average annual Installment Payments, average annual debt service on all outstanding Parity Debt outstanding at the time the additional parity obligations are issued or incurred, and average annual debt service on all additional parity bonds or additional parity obligations proposed to be issued or incurred. Either or both of the following items may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (b)(ii):

(A) An allowance for revenues from any additions to or improvements or extensions of the Water System to be constructed with the proceeds of such Parity Debt, and also for net revenues from any such additions, improvements or extensions which have been constructed from moneys from any source but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 70% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following closing of the proposed Parity Debt, all as shown by the certificates or opinion of a qualified independent consultant employed by the City, may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (b)(ii).

(B) An allowance for earnings arising from any increase in the charges made for service from the Water System which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year, was not in effect, in an amount equal to 100% of the 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 and any period prior to the incurring of such additional obligations, as shown by the certificates or opinion of a qualified independent engineer employed by the City.

(iii) So long as all of the Outstanding Bonds are held by the Original Purchaser, the prior written consent of such Original Purchaser shall have been obtained.

Section 3.10. Additional Payments. In addition to the Installment Payments, the City shall pay, from Net Revenues, when due all costs and expenses incurred by the Agency to comply with the provisions of the Trust Agreement and this Installment Sale Agreement, including, without limitation all Delivery Costs (to the extent not paid from amounts on deposit in the Construction Fund), compensation due to the Trust Administrator for its fees, costs and expenses incurred under the Trust Agreement and the Assignment Agreement and all costs and expenses of attorneys, auditors, engineers and accountants.

Section 3.11. Payments to Reserve Fund. In addition to the Installment Payments, the City shall pay to the Trust Administrator from Net Revenues for deposit in the Reserve Fund (a) on each Installment Payment Date, and for the Term of the Installment Sale Agreement, an amount equal to one-twentieth (1/20th) of the average annual debt service on the Bonds, and (b) such amounts as shall be required to replenish the Reserve Fund in the event of a draw therefrom or a valuation determines that a deficiency exists therein, all in accordance with Section 6.06 of the Trust Agreement; provided, however, that in the event the amount on deposit in the Reserve Fund reaches the Reserve Requirement, the City shall discontinue the aforesaid payments to the Reserve Fund (except to the extent necessary to replenish the Reserve Fund) and any further interest earnings on the Reserve Fund shall be allocated under Section 8.03 of the Trust Agreement.

Section 3.12. Payments to Depreciation Reserve Fund. In addition to the Installment Payments, the City shall pay to the Trust Administrator from Net Revenues an initial amount of \$_____ into the Depreciation Reserve Fund on or before the Closing Date, and shall annually thereafter deposit \$_____ into the Depreciation Reserve Fund by not later than June 30 of each year, starting with fiscal year ending June 30, 2017, and continuing for as long as any of the Bonds remain outstanding.

The City may withdraw amounts on deposit in the Depreciation Reserve Fund from time to time to pay for timely replacement of “short-lived assets” of the Water System, which for purposes of this Section shall mean any component or assets of the Water System, including without limitation pumps, paint and small equipment, that will need to be repaired or replaced over a one to fifteen-year period, the cost of which is not included within the definition of Operation and Maintenance Costs.

Notwithstanding the foregoing, before each June 30 the City shall evaluate the status and condition of short-lived assets of the Water System and, if such evaluation suggests that a lesser or greater deposit is required in order to provide for the timely replacement of any short-lived assets, the City may upon consultation by the City with the Government decrease the amount of the annual deposit into the Depreciation Reserve Fund if a lesser amount is indicated, but shall increase the amount of the annual deposit in to the Depreciation Reserve Fund if a greater amount is indicated.

ARTICLE IV

PREPAYMENT OF INSTALLMENT PAYMENTS

Section 4.01. Prepayment. The City shall have the right to prepay the Installment Payments, but only in the manner, at the times and in all respects in accordance with the provisions of this Article IV.

Section 4.02. Optional Prepayment. Subject to the terms and conditions of this Section 4.02, the Agency hereby grants an option to City to prepay the Installment Payments in full, by paying the total

unpaid principal component of the Installment Payments as set forth in Exhibit B or in part, but not in an amount of less than the Denomination Amount or any integral multiple thereof, at any one time. Said option may be exercised on any date following written notice by the City to the Agency and the Trust Administrator of the exercise of such option at least sixty (60) days prior to date designated for prepayment. Such option shall be exercised in the event of prepayment in full, by depositing with the Trust Administrator by the applicable prepayment date cash in an amount sufficient to pay the total unpaid principal component of the Installment Payments as set forth in Exhibit B, together with any Installment Payments then due but unpaid together with accrued interest to the prepayment date, or, in the event of prepayment in part, by depositing with the Trust Administrator by the applicable date of prepayment, an amount divisible by the Denomination Amount equal to the amount desired to be prepaid together with any Installment Payments then due but unpaid together with accrued interest on the amount to be prepaid to the prepayment date.

In the event of prepayment in part, the partial prepayment shall be applied by the Agency or its assignee against Installment Payments in such order as directed by the City. Except as reduced by the application of such partial prepayment, the then existing schedule of Installment Payments shall remain in full force and effect.

Section 4.03. Mandatory Prepayment from Net Proceeds of Insurance or Condemnation and from Unexpended Proceeds. The City shall be obligated to prepay the Installment Payments in whole or in part on any Installment Payment Date from and to the extent of (a) any Net Proceeds of any insurance or condemnation award theretofore deposited in the Installment Payment Fund for such purpose pursuant to Section 5.07 hereof or pursuant to Section 7.02 of the Trust Agreement; and (b) from any excess monies remaining in the Construction Fund and not required for payment of Construction Costs ("Unexpended Proceeds"). The City and the Agency hereby agree that such Net Proceeds and Unexpended Proceeds shall be credited towards the City's obligations under this Section 4.03. Except in the case of such prepayment of the Installment Payments in full, such payment shall be in addition to the Installment Payment required to be paid by the City on such date.

Section 4.04. Credit for Amounts on Deposit. In the event the City elects or is required to prepay the Installment Payments in full under this Article IV, such that the Trust Agreement shall be discharged by its terms as a result of such prepayment, all amounts then on deposit in the Installment Payment Fund, the Construction Fund or the Reserve Fund shall be credited towards the amounts required to be so prepaid.

Section 4.05. Security Deposit. Notwithstanding any other provision of this Installment Sale Agreement, the City may, on any date, secure the payment of Installment Payments by a deposit with the Trust Administrator, as escrow holder under an escrow deposit and trust agreement as referenced in Section 14.01(d) of the Trust Agreement, of:

(a) **All Installment Payments.** in the case of a security deposit relating to all Installment Payments, either (i) an amount which, together with amounts on deposit in the Installment Payment Fund and the Reserve Fund, is sufficient to pay all unpaid Installment Payments, including the principal and interest components thereof, in accordance with the Installment Payment schedule set forth in Exhibit B attached hereto, or (ii) Defeasance Obligations, together with cash, if required, in such amount as will, in the opinion of nationally-recognized bond counsel and of an independent certified public accountant, together with interest to accrue thereon and, if required, all or a portion of moneys or Defeasance Obligations then on deposit in the

Installment Payment Fund and the Reserve Fund, be fully sufficient to pay all unpaid Installment Payments on their Installment Payment Date; or

(b) Portion of Installment Payments. in the case of a security deposit relating to a portion of the Installment Payments both (i) a Written Certificate executed by a City Representative designating the portion of the Installment Payments to which the deposit pertains, and (ii) cash or Defeasance Obligations, in such amount as will, together with interest to be received thereon, if any, and an allocable portion of amounts on deposit in the Installment Payment Fund and the Reserve Fund, be fully sufficient in the opinion of an independent certified public accountant, to pay the portion of the Installment Payments designated in the aforesaid City Representative's Written Certificate.

(c) Effect. In the event of a deposit pursuant to this Section 4.05, all obligations of the City under this Installment Sale Agreement pertaining to the portion of the Installment Payments for which the deposit has been made shall cease and terminate, excepting only the obligation of the City to make, or cause to be made, all Installment Payments, or the portion of Installment Payments to which the deposit pertains, from the deposit made by City pursuant to this Section 4.05. Such deposit shall be deemed to be and shall constitute a special fund for the payment of Installment Payments in accordance with the provisions of this Installment Sale Agreement; and further provided that any security deposit relating to the Project shall not affect the covenant of the City contained in Section 3.09 hereof in the event such security deposit is insufficient to pay or prepay all Installment Payments relating to the Project when and as the same become due and payable. Upon said deposit, the Agency will execute or cause to be executed any and all documents as may be necessary to release the security provided hereby to the extent of such deposit.

ARTICLE V

MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

Section 5.01. Maintenance, Taxes and Assessments, Contests.

(a) Operation. The City covenants to operate the Water System in an efficient and economical manner and operate, maintain and preserve the Water System in good repair and working order in accordance with customary standards and practices applicable to similar facilities

(b) Taxes and Assessments. The City shall also pay or cause to be paid all taxes and assessments of any type or nature charged to the Agency or the City or levied, assessed or charged against the Water System or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are required to be paid during the Term of the Installment Sale Agreement as and when the same become due.

(c) Contest. The City may, at the City's expense and in its name, in good faith contest any such taxes, assessments and charges and, in the event of any such contest, may permit the taxes, assessments or charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Agency shall notify the City that, in the opinion of Independent

Counsel, by nonpayment of any such items, the Project or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments or charges or provide the Agency with full security against any loss which may result from nonpayment, in form satisfactory to the Agency.

Section 5.02. Modification of Project. The City shall, at its own expense, have the right to remodel the Project or to make additions, modifications and improvements thereto. All such additions, modifications and improvements shall thereafter comprise part of the Project and be subject to the provisions of this Installment Sale Agreement. Such additions, modifications and improvements shall not in any way damage the Project or cause it to be used for purposes other than those authorized under the provisions of state and federal law; and the Project, upon completion of any additions, modifications and improvements made pursuant to this Section 5.02, shall be of a value which is not substantially less than the value of the Project immediately prior to the making of such additions, modifications and improvements.

Section 5.03. Installation of City's Equipment. The City may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Project. All such items shall remain the sole property of the City, in which neither the Agency nor the Trust Administrator shall have any interest, and may be modified or removed by the City at any time provided that the City shall repair and restore any and all damage to the Project resulting from the installation, modification or removal of any such items. Nothing in this Installment Sale Agreement shall prevent the City from purchasing items to be installed pursuant to this Section 5.03 under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof.

Section 5.04. Public Liability and Property Damage Insurance.

(a) **Insurance Policies.** The City shall maintain or cause to be maintained, throughout the Term of the Installment Sale Agreement, insurance policies, including a standard comprehensive general insurance policy or policies in protection of the City, its members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the construction or operation of the Water System (but only if such insurance is available at reasonable cost on the open market from reputable insurance companies). Such policy or policies shall afford protection in such amounts, with such deductibles, as are usually covered in connection with operations similar to the Water System. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the City, and may be maintained in the form of insurance maintained through a nonprofit public benefit corporation created for such purpose or in the form of self-insurance by the City.

(b) **Self-Insurance.** If the City shall maintain self-insurance, it shall supply to the Trust Administrator a statement of sufficiency by an independent insurance consultant or the City's risk manager on an annual basis as described in Section 5.06 hereof.

(c) **Application of Net Proceeds.** The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

Section 5.05. Fire and Extended Coverage Insurance.

(a) **Insurance Policies.** The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Installment Sale Agreement, insurance against loss or damage to any above-ground structures, including City-owned equipment and machinery housed therein, constituting any part of the Water System by fire and lightning, with extended coverage insurance but not including earthquake insurance. Such insurance need not include reservoirs, standpipes and elevated tanks. Such insurance shall be in an amount which is not less than 100% of the replacement cost of the Project. Such insurance may be subject to a deductible clause of not to exceed ten percent of said replacement cost for any one loss. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried or required to be carried by the City, and may be maintained in the form of insurance maintained through a nonprofit public benefit corporation created for such purpose or in the form of self-insurance by the City.

(b) **Self-Insurance.** If the City shall maintain self-insurance, it will supply to the Trust Administrator a statement of sufficiency by an independent insurance consultant or the City's risk manager on an annual basis as described in Section 5.06 hereof.

(c) **Application of Net Proceeds.** Net Proceeds of such insurance shall be applied as provided in Section 5.07 hereof.

Section 5.06. Insurance Net Proceeds; Form of Policies. The insurance required by Section 5.05 hereof shall provide that all applicable proceeds thereunder shall be payable to the Trust Administrator for the benefit of the Bonds Owners. The City shall pay or cause to be paid when due the premiums for all insurance policies required by this Installment Sale Agreement. All such policies shall provide that the Agency and the Trust Administrator are named as additional insureds and that the Trust Administrator shall be given thirty (30) days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Trust Administrator shall not be responsible for the sufficiency of any insurance herein required or for the obtaining of such insurance and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the City. The City shall cause to be delivered to the Trust Administrator annually, no later than the end of each Fiscal Year, a Written Certificate signed by a City Representative stating that the City is in compliance with Sections 5.04 and 5.05 of this Agreement. The Trust Administrator may conclusively rely on such Written Certificates.

Section 5.07. Application of Net Proceeds.

(a) **From Insurance Award.** The Net Proceeds of any insurance award resulting from any damage to or destruction of the Project by fire or other casualty shall be deposited in the Insurance and Condemnation Fund by the Trust Administrator promptly upon receipt thereof and, if the City Representative notifies the Trust Administrator in writing of the City's determination that the replacement, repair, restoration, modification or improvement of the Project is not economically feasible or in the best interest of the City, then such Net Proceeds shall be promptly transferred by the Trust Administrator to the Installment Payment Fund to be applied as provided in Section 4.03 hereof. All Net Proceeds deposited in the Insurance and Condemnation Fund and not so transferred

shall be applied to the prompt replacement, repair, restoration, modification or improvement of the Project by the City, upon receipt of a requisition, signed by the City Representative and, so long as all of the Outstanding Bonds are held by the Original Purchaser, the Owner of the Bonds stating with respect to each payment to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment is due, (iii) the amount to be paid and (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation. Any balance of the Net Proceeds remaining after such work has been completed shall be transferred to the Installment Payment Fund. The City covenants that it will commence such replacement, repair, restoration, modification or improvement or indicate that such replacement, repair, restoration, modification or improvement is not economically feasible within 180 days of receipt of such Net Proceeds.

(b) From Eminent Domain Award. The Net Proceeds of any eminent domain award shall be deposited in the Insurance and Condemnation Fund to be held and applied by the Trust Administrator pursuant to Section 7.02 of the Trust Agreement.

Section 5.08 Advances. If the City shall fail to perform any of its obligations under this Article V, the Agency may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and the City shall be obligated to repay all such advances as soon as possible, with interest at the rate of interest with respect to the Bonds from the date of the advance to the date of repayment.

ARTICLE VI

DISCLAIMER OF WARRANTIES; ACCESS; INDEMNITY

Section 6.01. Disclaimer of Warranties. The Agency makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City for the Project or any item thereof, or any other representation or warranty with respect to the Project or any item thereof. In no event shall the Agency be liable for incidental, indirect, special or consequential damages, in connection with or arising out of this Installment Sale Agreement or the Trust Agreement for the existence, furnishing, functioning or City's use of the Project.

Section 6.02. Access to the Project and Records. To the extent permitted by law, the City agrees that the Agency, any Agency Representative, and the Agency's successors or assigns shall have the right at all reasonable times to enter upon and to examine and inspect the Project. The City further agrees that the Agency, any Agency Representative, and the Agency's successors or assigns shall have such rights of access to the Project as may be reasonably necessary to cause the proper maintenance of the Project in the event of failure by the City to perform its obligations hereunder. In addition, the City agrees that the Agency, any Agency Representative, and the Agency's successors or assigns shall have the right at all reasonable times to inspect and examine all books, papers and records of the Agency and the City pertaining to the Project and the Bonds, to make copies thereof and to take non-privileged memoranda therefrom or with respect thereto as may be desired.

Section 6.03. Indemnity. The City shall and hereby agrees to indemnify and save the Agency and its successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of: (a) the use, maintenance, condition or management of, or from any work or thing done on the Project by the City; (b) any breach or default on the part of the City in the performance of any of its obligations under this Installment Sale Agreement; (c) any act or negligence of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Project; (d) any act or negligence of any assignee or sublessee of the City with respect to the Project; or (e) the construction of the Project or the authorization of payment of the Construction Costs or Delivery Costs by the City or the Agency. No indemnification is made under this Section 6.03, or elsewhere in this Installment Sale Agreement for willful misconduct, negligence, or breach of duty under this Installment Sale Agreement by the Agency, its officers, agents, employees, successors or assigns.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.01. Events of Default Defined. The following shall be “events of default” under this Installment Sale Agreement and the terms “events of default” and “default” shall mean, whenever they are used in this Installment Sale Agreement, any one or more of the following events:

(a) Failure by the City to pay any Installment Payment by the Installment Payment Date or failure to make any other payment required to be paid hereunder at the time specified herein; or

(b) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed in this Installment Sale Agreement or the Trust Agreement, other than as referred to in clause (a) of this Section 7.01, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Agency, the Trust Administrator or the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Agency, the Trust Administrator or such Owners, as applicable, shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected; or

(c) The filing by the City of a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or the approval by a court of competent jurisdiction of a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the City or of the whole or any substantial part of its property; or

(d) An event of default shall have occurred and be continuing with respect to any Parity Debt.

Section 7.02. Remedies on Default. Whenever any event of default referred to in Section 7.01 hereof shall have happened and be continuing, the Agency shall have the right, at its option and without any further demand or notice, to:

(a) declare all principal components of the unpaid Installment Payments, together with accrued interest at the rate or rates specified in the respective Outstanding Bonds from the immediately preceding Installment Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall become due and payable; and

(b) take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due or thereafter to become due during the Term of the Installment Sale Agreement, or enforce performance and observance of any obligation, agreement or covenant of the City under this Installment Sale Agreement.

Section 7.03. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Agency is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Installment Sale Agreement or now or hereafter existing at law or in equity. No delay or omission 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 thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Agency to exercise any remedy reserved to it in this Article VII it shall not be necessary to give any notice, other than such notice as may be required in this Article VII or by law.

Section 7.04. Prosecution and Defense of Suits. The City shall promptly, upon request of the Agency or its assignee, from time to time take or cause to be taken such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Project whether now existing or hereafter developing and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and, to the extent permitted by law, shall indemnify or cause to be indemnified the Agency and its assignee for all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceedings.

To the extent permitted by law, the City shall defend, or cause to be defended, against every suit, action or proceeding at any time brought against the Agency or its assignee upon any claim arising out of the receipt, application or disbursement of any of the Net Revenues or involving the rights or duties of the Agency or its assignee under this Installment Sale Agreement or the Trust Agreement; provided, that the Agency and its assignee at their election may appear in and defend any such suit, action or proceeding. The City shall indemnify or cause to be indemnified the Agency and its assignee against any and all liability claimed or asserted by any person, arising out of such receipt, application or disbursement. Notwithstanding any contrary provision hereof, this covenant shall remain in full force and effect, even though all Installment Payments have been fully paid and satisfied, until a date which is three (3) years following the payment of the last of the Installment Payments.

Section 7.05. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Installment Sale Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 7.06. Application of the Proceeds. The Trust Administrator, as assignee of the Agency, shall apply all amounts received under this Article VII as set forth in Section 13.03 of the Trust Agreement.

Section 7.07. Liability Limited to Net Revenues. Notwithstanding any provision of this Installment Sale Agreement, the City's liability to pay the Installment Payments and other amounts hereunder shall be limited solely to Net Revenues as provided in Sections 3.06 and 3.07 hereof. In the event that Net Revenues shall be insufficient at any time to pay an Installment Payment in full, the City shall not be liable to pay or prepay such Installment Payment other than from Net Revenues.

Section 7.08. Trust Administrator and Bond Owners to Exercise Rights. Such rights and remedies as are given to the Agency under this Article VII have been assigned by the Agency to the Trust Administrator under the Assignment Agreement, to which assignment the City hereby consents. Such rights and remedies shall be exercised by the Trust Administrator and the Owners of the Bonds as provided in the Trust Agreement.

Section 7.09. Pro Rata Application of Net Revenues. If, at any time, there is a deficiency in Net Revenues available to pay the Installment Payments, any amounts due with respect to Parity Debt, amounts required to replenish the Reserve Fund or amounts required to replenish any reserve fund established for Parity Debt, available Net Revenues shall be applied on a pro rata basis to the payment of such Installment Payments and to the payment of amounts due with respect to Parity Debt, then to the replenishment of the Reserve Fund and to the replenishment of any reserve fund established for Parity Debt.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Assignment, Sale or Lease by the City.

(a) **Assignment or Sale.** This Installment Sale Agreement may not be assigned by the City, and the Water System may not be sold by the City during the Term of this Installment Sale Agreement.

(b) **Lease.** The City may lease the Project, or any portion thereof, with the consent of the Owner of the Bonds so long as all of the Outstanding Bonds are held by the Original Purchaser thereof, and subject to all of the following conditions:

(i) This Installment Sale Agreement and the obligation of the City to make Installment Payments hereunder shall remain obligations of the City;

(ii) The City shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Agency and the Trust Administrator a true and complete copy of the documents accomplishing such lease;

(iii) No such lease by the City shall cause the Project to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the Constitution and laws of the State; and

(iv) No such lease shall cause the interest component of the Installment Payments to become subject to federal income taxes or State personal income taxes.

Section 8.02. Amendment of Installment Sale Agreement. The City will not alter, modify or cancel or agree or consent to alter, modify or cancel this Installment Sale Agreement, except as permitted by Article X of the Trust Agreement, without the written consent of the Trust Administrator and the Agency,

Section 8.03. Binding Effect. This Installment Sale Agreement shall inure to the benefit of and shall be binding upon the Agency and the City and their respective successors and assigns.

Section 8.04. Applicable Law. This Installment Sale Agreement shall be governed by and construed in accordance with the laws of the State.

Section 8.05. Severability. In the event any provision of this Installment Sale Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 8.06. Captions. The captions or headings in this Installment Sale Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provision, Article or Section of this Installment Sale Agreement.

Section 8.07. Net Contract. This Installment Sale Agreement shall be deemed and construed to be a "net contract" and the City hereby agrees that the Installment Payments shall be an absolute net return to the Agency, free and clear of any expenses, charges or set-offs whatsoever.

Section 8.08. Further Assurances and Corrective Instruments. The Agency and the City agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Project hereby sold or intended so to be or for carrying out the expressed intention of this Installment Sale Agreement.

Section 8.09. Agency and City Representatives. Whenever under the provisions of this Installment Sale Agreement the approval of the Agency or the City is required, or the Agency or the City is required to take some action at the request of the other, such approval or such request shall be given for the Agency by a Agency Representative and for the City by a City Representative, and any party hereto shall be authorized to rely upon any such approval or request.

Section 8.10. Notices. All notices, Written Certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received 48 hours after deposit in the United States mail with postage fully prepaid:

If to the City:	City of Lakeport 225 Park Street Lakeport, CA 95453 Attention: City Manager
If to the Agency:	City of Lakeport 225 Park Street Lakeport, CA 95453 Attention: Executive Director
If to the Trust Administrator:	Finance Director City of Lakeport 225 Park Street Lakeport, CA 95453 Attention: Finance Director
If to the Government:	Rural Development, United States Department of Agriculture 777 Sonoma Ave "E" St Annex Santa Rosa, CA 95404 Attention: Area Specialist <u>And</u> Rural Development, United States Department of Agriculture 430 G Street Suite 4169 Davis, CA 95616 Attention: Community Programs Specialist

The Agency, the City, the Trust Administrator and the Government, by notice given hereunder, may designate different addresses to which subsequent notices, Written Certificates or other communications will be sent.

Section 8.11. Execution in Counterparts. This Installment Sale 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.

* * * * *

IN WITNESS, the Agency has caused this Installment Sale Agreement to be executed in its corporate name by its duly authorized officer and sealed with its corporate seal; and the City has caused this Installment Sale Agreement to be executed in its name by its duly authorized officers, as of the date first above written.

MUNICIPAL FINANCING AGENCY OF
LAKEPORT, *as Seller*

By _____
Executive Director

CITY OF LAKEPORT, *as Purchaser*

By _____
City Manager

Attest

By _____
City Clerk

EXHIBIT A

DESCRIPTION OF THE PROJECT

The City of Lakeport Water System is to be improved as follows: The 2016 Water Project acquired and constructed with the proceeds of the Bonds, together with such other or additional Water System improvements as may be agreed to between the Government and the City.

EXHIBIT B

SCHEDULE OF INSTALLMENT PAYMENTS

The following schedule is subject to modification by the actual advances by the Original Purchaser as evidenced in the form of single Bond. Such evidence of advances shall, in all cases, be controlling.

Installment Payment Date	Principal	Interest Rate	Interest	Installment Payments
-----------------------------	-----------	---------------	----------	-------------------------

Totals	\$.00	\$	\$
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TRUST AGREEMENT

by and among the

CITY OF LAKEPORT

and the

MUNICIPAL FINANCING AGENCY OF LAKEPORT

and the

**FINANCE DIRECTOR OF THE CITY OF LAKEPORT,
as Trust Administrator**

Dated as of May 1, 2016

Relating to

**\$ _____
MUNICIPAL FINANCING AGENCY OF LAKEPORT
(City of Lakeport, California)
SERIES 2016 WATER ENTERPRISE REVENUE BONDS
(Water System Improvement Project)
BANK QUALIFIED**

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TRUST AGREEMENT

THIS TRUST AGREEMENT, dated as of May 1, 2016, is by and among the MUNICIPAL FINANCING AGENCY OF LAKEPORT, a California joint powers authority duly organized and existing pursuant to the laws of the State of California (the "Agency"), the CITY OF LAKEPORT, a general law city and public agency duly organized and validly existing under the laws of the State of California (the "City"), and THE FINANCE DIRECTOR OF THE CITY OF LAKEPORT, as Trust Administrator (the "Trust Administrator");

WITNESSETH:

WHEREAS, the City and the Agency propose to undertake the acquisition and financing of certain capital improvements (the "Project") to the City's municipal water system (interchangeably, the "Enterprise," "Water Enterprise" or "Water System"); and

WHEREAS, to help finance the Project, the City has agreed to purchase the Project from the Agency pursuant to, and in accordance with the terms set forth in an Installment Sale Agreement, dated as of May 1, 2016, by and between the City and the Agency (the "Installment Sale Agreement"); and

WHEREAS, concurrently with the execution of this Trust Agreement, it is contemplated that the Trust Administrator will authenticate and deliver the City of Lakeport, Series 2016 Water Enterprise Revenue Bonds (Water System Improvement Project), in the aggregate principal amount of \$_____ (the "Bonds"), evidencing a direct, undivided fractional interest in certain Installment Payments to be made by the City, pursuant to the terms and conditions of the Installment Sale Agreement (the "Installment Payments"); and

WHEREAS, all rights to receive the Installment Payments will be assigned without recourse by the Agency to the Trust Administrator, for the benefit of the Owners of the Bonds, pursuant to an Assignment Agreement, dated as of May 1, 2016, by and between the City and the Agency (the "Assignment Agreement"); and

WHEREAS, in consideration of such assignment, concurrently with the execution of this Trust Agreement, the Trust Administrator will authenticate and deliver the Bonds to the United States of America, acting through Rural Utilities Service, United States Department of Agriculture (interchangeably, the "USDA" or "Government"), as the initial purchasers thereof; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Trust Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Trust Agreement; and

WHEREAS, the City has determined that all acts and proceedings required by law necessary to make the Bonds, when executed, authenticated and delivered by the Trust Administrator and duly issued, the valid, binding and legal special obligations of the City, and to constitute this Trust Agreement a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Trust Agreement have been in all respects duly authorized; and

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES DO HEREBY AGREE AS FOLLOWS:

ARTICLE I
DEFINITIONS; AUTHORIZATION; EXHIBITS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Trust Agreement, have the meanings herein specified. In addition, all terms defined in the Installment Sale Agreement and not otherwise defined herein shall have the respective meanings specified in the Installment Sale Agreement.

“Agency” means the Municipal Financing Agency of Lakeport, a California joint powers authority duly organized and existing under the laws of the State of California.

“Agency Board” means the governing board of the Agency.

“Agency Representative” means the Chairperson, Vice-Chairperson, Executive Director and Secretary of the Agency, or any other person authorized by resolution of the Agency Board to act on behalf of the Agency under or with respect to this Trust Agreement.

“Assignment Agreement” means the Assignment Agreement, dated as of May 1, 2016, by and between the Agency and the Trust Administrator, together with any amendments or supplements thereto.

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

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

“Bonds” means the \$_____ Series 2016 Water Enterprise Revenue Bonds (Water System Improvement Project), dated the Closing Date, executed and delivered pursuant to this Trust Agreement.

“Business Day” means any day other than (i) a Saturday or a Sunday or (ii) a day on which the City offices are authorized or obligated by law or executive order to be closed.

“Bond Maturity Date” means _____ 1, 205_, which is the date on which the final principal component of the Installment Payments evidenced and represented thereby shall become due and payable.

“Bond Register” means the Bond Register relating to the Bonds maintained by the Trust Administrator in accordance with Section 2.12 of this Trust Agreement.

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

“City Manager” means the person who is the City’s City Manager or his or her deputy or assistant.

“City Representative” means the Mayor, Mayor Pro Tem, City Manager, Finance Director and City Clerk or Acting City Clerk, or any other official of the City authorized by the Council to act for, and on behalf of, the City.

“Closing Date” means the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the purchase price of all or the first advance of a portion of the purchase price of the Bonds by the Original Purchaser.

“Construction Costs” means the costs of the acquisition, construction, rehabilitation, equipping, improvement or financing and refinancing of improvements to, or part of, the Water System constituting the Project.

“Construction Fund” means the fund of that name established pursuant to Article III of this Trust Agreement and held by the Trust Administrator.

“County” means the County of Lake, California.

“Debt Service” means the scheduled amount of interest and amortization of principal payable with respect to the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning or during such period.

“Defeasance Obligations” means (a) cash, or (b) non-callable Federal Securities.

“Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to the City or the Agency relating to the financing and refinancing of the Project from the proceeds of the Bonds, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges and first year’s administration fee of the Trust Administrator, Trust Administrator’s counsel fees and expenses, financing discounts, legal fees and charges, financial and other professional consultant fees, costs of rating agencies or credit ratings, fees for execution, transportation and safekeeping of the Bonds, travel expenses and charges and fees in connection with the foregoing.

“Denomination Amount” means the minimum denomination of each Bond which is One Hundred Dollars (\$100).

“Depreciation Reserve Fund” means the fund by that name established and maintained pursuant to Section 6.07 herein.

“Event of Default” means an event of default under Section 7.01 of the Installment Sale Agreement.

“Fair Market Value” means for purposes of valuing the Permitted Investments, 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 that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a ten percent (10%) beneficial interest if the return paid by such fund is without regard to the source of investment. The Trust Administrator shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of a City Representative in any written directions of a City Representative.

“Federal Securities” means direct general obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury) the United States of America, or obligations the timely payment of principal of and interest on which are guaranteed by, the United States of America.

“Fiscal Year” means any period of twelve (12) consecutive months established by the City as its fiscal year and shall initially mean the period commencing July 1 of one year and ending on June 30 of the following year.

“Government” means the United States of America, acting through Rural Utilities Service, United States Department of Agriculture (or successor agency, bureau or division).

“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 Water System or otherwise arising from the Water System, including but not limited to connection charges and investment earnings on such charges, income and receipts. Gross Revenues shall not include (i) customers’ water related deposits or any other water related deposits subject to refund until such deposits have become the property of the City, (ii) the proceeds of any ad valorem property taxes, (iii) grants that are designated by the grantor for a specific water purpose and are therefore not available for other purposes, (iv) any specific charges levied for the express purpose of reimbursing others for all or a portion of the cost of the acquisition or construction of specific water facilities, and (v) the proceeds of any special assessments or special taxes levied upon real property within any improvement district served by the City for the purpose of paying special assessment bonds or special tax obligations of the City relating to the Water System.

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

“Independent Counsel” means an attorney or a firm of attorneys duly admitted to the practice of law before the highest court of the state in which he or such firm maintains an office and who is not an employee of the Agency, the Trust Administrator or the City.

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

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

- (2) does not have a substantial financial interest, direct or indirect, in the City; and
- (3) is not connected with the City as a board member, officer or employee of the City, but may be regularly retained to make reports to the City.

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

- (1) is in fact independent and not under the domination of the City or any member thereof;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and
- (3) is not connected with the City as an officer or employee of the City or any member thereof, but may be regularly retained to audit the accounting records of and make reports thereon to the City.

“Installment Payment” means any payment required to be paid by the City to the Agency pursuant to Section 3.05 of the Installment Sale Agreement.

“Installment Payment Date” means each Interest Payment Date.

“Installment Payment Fund” means the fund designated “City of Lakeport Project Installment Payment Fund” established and held by the Trust Administrator pursuant to Article III of this Trust Agreement.

“Installment Sale Agreement” means the Installment Sale Agreement, dated as of May 1, 2016, by and between the Agency and the City, and any duly authorized and executed amendment or supplement thereto.

“Insurance and Condemnation Fund” means the fund by that name established pursuant to Article VII of this Trust Agreement and held by the Trust Administrator.

“Interest Fund” means the fund by that name established in Section 5.04 herein.

“Interest Payment Date” means _____ 1 and _____ 1 of each year, commencing _____ 1, 2016.

“Interest Rate” means the rate of interest to be paid on the Bond which is ____% per annum.

“Net Proceeds” means any insurance proceeds or condemnation award paid with respect to the Project, remaining after payment therefrom of all expenses incurred in the collection thereof.

“Net Revenues” means Gross Revenues less Operation and Maintenance Expenses.

“Operation and Maintenance Expenses” means the reasonable and necessary costs and expenses paid by the City to maintain and operate the Water System, including but not limited to (a) costs of acquisition of water to be supplied by the Water System, (b) costs of electricity and other forms of energy supplied to the Water System, (c) the reasonable expenses of management and repair and other costs and

expenses necessary to maintain and preserve the Water System in good repair and working order, (d) the reasonable administrative costs of the City attributable to the operation and maintenance of the Water System, and (e) all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms hereof or of any resolution authorizing the issuance of any Parity Debt or of such Parity Debt, such as compensation, reimbursement and indemnification of any trustees for any such Parity Debt, and fees and expenses of Independent Certified Public Accountants, Independent Counsel, Independent Financial Consultants, Independent Engineers, and other necessary consultants, but in all cases excluding (i) debt service payments or other similar payments payable on obligations incurred by the City with respect to the Water System, including but not limited to the Installment Payments and payments on any Parity Debt, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

“Original Purchaser” means the Government as the first purchaser of the Bonds (evidenced by a single fully registered Bond) upon their delivery by the Trust Administrator on the Closing Date.

“Outstanding,” when used as of any particular time with respect to Bonds, means (subject to the provisions of Section 10.03 of this Trust Agreement) all Bonds theretofore executed and delivered by the Trust Administrator under this Trust Agreement except:

(a) Bonds theretofore canceled by the Trust Administrator or surrendered to the Trust Administrator for cancellation;

(b) Bonds for the payment or prepayment of which funds or eligible securities in the necessary amount, including accrued interest thereon, shall have theretofore been deposited with the Trust Administrator (whether upon or prior to the maturity or prepayment date of such Bonds), provided that, if such Bonds are to be prepaid prior to maturity, notice of such prepayment shall have been given as provided in Section 4.03 of this Trust Agreement or provision satisfactory to the Trust Administrator shall have been made for the giving of such notice; and

(c) Bonds in lieu of or in exchange for which other Bonds shall have been executed and delivered by the Trust Administrator pursuant to Section 2.09 of this Trust Agreement.

“Owner” or **“Bond Owner”** or **“Registered Owner,”** or any similar term, means the person or entity in whose name a Bond shall be registered.

“Parity Debt” means (i) 2000 USDA Bonds, (ii) the Bonds issued hereunder, and (iii) any other indebtedness or other obligation (including leases and installment sale agreements) hereafter issued or incurred in accordance with Section 3.09(b) of the Installment Sale Agreement and secured by a pledge of and lien on Net Revenues equally and ratably with the Installment Payments.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein, provided that the same are of appropriate maturity and acquired at Fair Market Value:

- (a) Federal Securities;
- (b) bonds, debentures or notes issued by any of the following: Banks for Cooperatives, Federal Land Banks or Federal National Mortgage Association (including participation certificate and Federal Farm Credit Banks Consolidated System Bonds);
- (c) bonds or obligations of the State of California which are rated "AA" or better by S&P;
- (d) interest bearing demand or time deposits (including certificates of deposit) in national banks, state banks, federal savings and loan associations or state chartered savings and loan associations, which have deposits insured by the Federal Deposit Insurance Corporation (the "FDIC"); provided, however, that the portion of such certificates of deposit in excess of the amount insured by the FDIC, if any, shall be with a provider whose short term S&P rating is "A-1+" or better;
- (e) repurchase agreements with
 - (i) any institution with long-term debt rated in one of the two highest Rating Categories by S&P;
 - (ii) with any corporation or other entity that falls under the jurisdiction of the Federal Bankruptcy Code, provided that:
 - (A) the term of such repurchase agreement is less than one year or due on demand;
 - (B) the Trust Administrator has possession of the collateral;
 - (C) the market value of the collateral is maintained as follows:
 - (1) if valued daily and with a remaining maturity of (a) one year or less, at 102%; (b) five years or less, at 105%; (c) ten years or less, at 106%; (d) fifteen years or less, at 108%; and (e) thirty years or less, at 114%;
 - (2) if valued weekly and with a remaining maturity of (a) one year or less, at 103%; (b) five years or less, at 111%; (c) ten years or less, at 112%; (d) fifteen years or less, at 114%; and (e) thirty years or less, at 120%;
 - (3) if valued monthly and with a remaining maturity of (a) one year or less, at 106%; (b) five years or less, at 118%; (c) ten years or less, at 123%; (d) fifteen years or less, at 128%; and (e) thirty years or less, at 138%; and
 - (4) if valued quarterly and with a remaining maturity of (a) one year or less, at 107%; (b) five years or less, at 120%; (c) ten years or

less, at 130%; (d) fifteen years or less, at 133%; and (e) thirty years or less, at 140%

(D) failure to maintain the requisite collateral levels will require the Trust Administrator to liquidate the collateral immediately;

(E) the repurchase securities must be obligations of, or fully guaranteed as to principal and interest by, the United States of America; and

(F) the repurchase securities are free and clear of any third party lien or claim; or

(iii) with financial institutions insured by the FDIC or any broker-dealer with “retail customers” which falls under the jurisdiction of the Securities Investors Protection Corp. (“SIPC”), provided that

(A) the market value of the collateral is maintained as described in (ii)(C) above;

(B) the Trust Administrator has possession of the collateral;

(C) the Trust Administrator has a perfected first priority security interest in the collateral;

(D) the collateral is free and clear of any third party lien or claim and, in the case of a broker-dealer with “retail customers” which falls under the jurisdiction of SIPC, the collateral was not acquired pursuant to a repurchase agreement or a reverse repurchase agreement;

(E) the repurchase securities must be obligations of, or fully guaranteed as to principal and interest by, the United States of America; and

(F) failure to maintain the requisite collateral levels will require the Trust Administrator to liquidate the collateral immediately; and

(f) money market funds consisting of Federal Securities, which are rated in the highest Rating Category by S&P; and

(g) the Local Agency Investment Fund of the State of California.

“**Prepayment**” means any payment applied towards the prepayment of the Installment Payments, in whole or in part, pursuant to Article IV of the Installment Sale Agreement.

“**Principal Amount**” means the aggregate authorized principal amount of the Bond which is \$_____.

“Principal Component Payment” means each principal portion of each Installment Payment made pursuant to Section 2.03 hereof.

“Principal Fund” means the fund by that name established in Section 5.04 herein.

“Proceeds” when used with reference to the Bonds, means the face amount of the Bonds, plus accrued interest and premium, if any, and less original issue discount, if any.

“Project” means the improvements to the Water System described in Exhibit A to the Installment Sale Agreement.

“Rating Category” means, with respect to any Permitted Investment, one or more of the generic categories of rating by S&P applicable to such Permitted Investment, without regard to any refinement or gradation of such rating category by a plus or minus sign.

“Regular Record Date” means the close of business on the fifteenth (15th) day of the month preceding each Interest Payment Date, whether or not such fifteenth (15th) day is a Business Day.

“Reserve Fund” means the fund of that name established under Article VI of this Trust Agreement and held by the Trust Administrator.

“Reserve Installment Payments” means the amount required to be paid by the City to the Trust Administrator from Net Revenues pursuant to Section 3.11 of the Installment sale Agreement, and which shall be applied to the Reserve Fund as set forth in Sections 6.01 through 6.06 herein.

“Reserve Requirement” means, for the purpose of determining the maximum size of the Reserve Fund, the least of: (a) 10% of the Principal Amount of the Bond; (b) 125% of average annual Debt Service; or (c) maximum annual Debt Service.

“S&P” means Standard & Poor’s Ratings Group, a division of McGraw-Hill, Inc., New York, New York, or its successors.

“State” means the State of California.

“Subordinate Debt” means indebtedness or other obligations (including leases and installment sale agreements) hereafter issued or incurred and secured by a pledge of and lien on Net Revenues subordinate to the Installment Payments.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced in the Installment Sale Agreement or this Trust Agreement) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated under the Tax Code.

“Term of the Installment Sale Agreement” means the time during which the Installment Sale Agreement is in effect which begins on the Closing Date and ends on May 1, 205_, unless sooner terminated pursuant to the terms of the Installment Sale Agreement.

“Trust Administrator” means the Finance Director of the City, or any successor thereto, acting as Trust Administrator pursuant to this Trust Agreement.

“Trust Agreement” means this Trust Agreement, dated as of May 1, 2016, by and among the Trust Administrator, the Agency and the City, together with any amendments or supplements thereto permitted to be made thereunder.

“Trust Office” means the office of the Trust Administrator at the offices of the City in Lakeport, California, or at such other address designated by the Trust Administrator by written notice filed with the City and the Agency.

“2000 USDA Bonds” means the \$3,050,000 Certificates of Participation (1998 Water Project-Series 2000) originally sold to USDA on August 15, 2000 at a rate of 4.75%, in the initial amount of \$3,050,000, which are paid semiannually each February and August, with a final maturity on August 1, 2039.

“Water System” means the whole and each and every part of the water system of the City serving the City and its residents and other customers served thereby, whether within or without the City, for the collection, treatment and delivery of water, including but not limited to all buildings, facilities, properties, lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the City.

“Written Certificate” of the City means a written certificate signed in the name of the City by a City Representative as contemplated by and containing the elements required by Section 1.03 of this Trust Agreement and Section 1.03 of the Installment Sale Agreement.

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

Section 1.03. Content of Written Certificates.

(a) Contents. Every Written Certificate provided for in this Trust Agreement with respect to compliance with any provision hereof, except Written Certificates delivered on the Closing Date and the certificate of destruction pursuant to Section 14.07, shall include (a) a statement that the person making or giving such Written Certificate or opinion has read such provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the Written Certificate is based; (c) a statement that, in the opinion of such person, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; (d) a statement of the assumptions upon which such Written Certificate is based, and that such assumptions are reasonable; and (e) a statement as to whether, in the opinion of such person, such provision has been complied with.

(b) Reliance. Any such Written Certificate made or given by a City Representative may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel or an accountant, unless such City Representative knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which

such Written Certificate may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel or an accountant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the City, as the case may be) upon a certificate or opinion of or representation by a City Representative, unless such counsel or accountant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same City Representative, or the same counsel or accountant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Trust Agreement, but different officers, counsel or accountants may certify to different matters, respectively.

Section 1.04. Exhibits. The following Exhibits are attached to, and by this reference are made a part of, this Trust Agreement:

- Exhibit A: Form of Series 2016 Water Enterprise Revenue Bond
 Exhibit B: Form of Disbursement Requisition from Construction Fund

ARTICLE II THE WATER ENTERPRISE REVENUE BONDS

Section 2.01. Authorization. The Trust Administrator is hereby authorized and directed upon written request from either the City or the Agency to execute and deliver, to the Original Purchaser, a single Bond in the Principal Amount evidencing undivided fractional interests in the Installment Payments and the Prepayments. The aggregate principal amount of the Bond shall not in any case exceed the aggregate payments by the Original Purchaser therefor, as such payments and the dates thereof are endorsed on the single, fully registered Bond. No provision is made for the Bonds to be executed and delivered in blocks or phases as the Original Purchaser's regulations for single delivery have been satisfactorily met.

Section 2.02. Date. Each Bond shall be dated as of the date of delivery thereof.

Section 2.03. Principal; Interest; Maturity. The Bond shall mature on _____ 1 in the years and in the principal amounts as shown below (each, a "Principal Component Payment"). Interest with respect thereto shall be computed at the Interest Rate of ____% per annum, calculated on the basis of a 365-day year. The annual Principal Component Payments are as follows:

Maturity Date	Principal Due	Annual <u>Interest</u> Rate	Maturity Date	Principal Due	Annual <u>Interest</u> Rate
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Section 2.04. Interest. The interest evidenced and represented by the Bond shall be payable on _____ 1 and _____ 1 of each year (each, an “Interest Payment Date”), commencing on _____ 1, 2016 and continuing to and including the Bond Payment Date or upon prepayment prior thereto, and shall evidence and represent the sum of the portions of the Installment Payments designated as interest components (each, an “Interest Component Payment”) coming due on the Interest Payment Dates during the interest period immediately preceding each of the Interest Payment Dates. Interest shall be calculated with respect to the Original Purchaser’s aggregate payments for the single Bond from the respective date(s) of advances thereof, as such payments and dates thereof are endorsed on the single Bond and computed on the basis of a 365-day year. Each Interest Component Payment shall be computed by multiplying the portion of Installment Payments designated as principal with respect to such Bond by the rate of interest applicable to such Bond.

Interest on any Bond shall be payable from the Interest Payment Date next preceding the date of execution thereof, unless (i) such Bond is executed on an Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (ii) such Bond is executed after the close of business on the fifteenth (15th) day of the month immediately preceding the following Interest Payment Date and prior to such Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (iii) such Bond is executed on or before _____ 15, 2016, in which event interest shall be payable from the date of delivery thereof; provided, however, that if at the time of execution of any Bond, interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payment of interest with respect to any Bond shall be made to the person appearing on the Bond Register of the Trust Administrator as the Owner thereof as of the fifteenth (15th) day of the month preceding such Interest Payment Date, such interest to be paid by check mailed by first class mail to such Owner at his address as it appears on such Bond Register; provided, however, that so long as the Government remains the Registered Owner of the Bonds, payment of principal shall be made on each Principal Payment Date and payment of interest shall be made on each Payment Date to the Registered Owner, unless otherwise requested by the Registered Owner, by the Pre-Authorized Debit (PAD) payment process (i.e., the City’s payments shall be electronically debited from the Installment Payment Fund on each Interest Payment Date in accordance with the PAD process established by Form SF-5510 and Form RD 3550-28, both entitled “Authorization Agreement for Pre-Authorized Payments”).

Section 2.05. Form of Bond; Legends. The Bonds shall be delivered in the form of a fully registered Bonds, without coupons, in the Denomination Amount or any integral multiple thereof, except that one annual amount may be any odd amount, and no Bond may have principal maturing in more than one year. The Bonds shall be numbered in such manner as the Trust Administrator deems appropriate. At the option of the Original Purchaser of the Bonds, a single, fully-registered Bond may be executed and delivered, in lieu of serial, registered Bonds, which single Bond shall mature in installments of the same

principal amounts and on the same dates as the registered Bonds it represents. The single Bond shall be substantially in the form set forth in Exhibit A attached hereto and by this reference incorporated herein. The Bonds may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Trust Agreement as may be necessary or desirable to comply with custom, or otherwise.

Section 2.06. Execution. The Bonds shall be executed by and in the name of the Trust Administrator, at the written direction of either the City or the Agency, by the manual signature of an authorized signatory of the Trust Administrator.

Section 2.07. Transfer and Exchange. The following shall apply to transfers and exchanges of Bonds, provided that no transfer or exchange of Bonds shall be required to be made during the fifteen (15) days prior to the date of selection of Bonds for prepayment, or of any Bond selected for prepayment:

(a) **Transfer of Bonds.** Any Bond may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 2.11 hereof by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trust Administrator, duly executed. Whenever any Bond shall be surrendered for transfer, the Trust Administrator shall deliver a new Bond or Bonds of the same maturity, interest rate and aggregate principal amount in authorized denominations to the transferee thereof. The Trust Administrator may require the payment by the Bond Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

(b) **Exchange of Bonds.** Any Bond may be exchanged at the Trust Office, for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity. The Trust Administrator may require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

Section 2.08. Bond Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Trust Administrator, at the expense of the Owner of said Bond, shall execute and deliver a new Bond of like maturity and principal amount in authorized denominations in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trust Administrator of the Bond so mutilated. Every mutilated Bond so surrendered to the Trust Administrator shall be canceled by it and destroyed in accordance with Section 14.07 hereof, and the Trust Administrator shall deliver a certificate of destruction to the City. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trust Administrator and, if such evidence is satisfactory to the Trust Administrator and if an indemnity satisfactory to the Trust Administrator and the Agency shall be given, the Trust Administrator, at the expense of the Bond Owner, shall execute and deliver a new Bond of like tenor and maturity and numbered as the Trust Administrator shall determine in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trust Administrator may require payment of an appropriate fee for each new Bond delivered under this Section 2.08 and of the expenses which may be incurred by the Trust Administrator in carrying out the duties under this Section 2.08. Any Bond delivered under the provisions of this Section 2.08 in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other Bond secured by this Trust Agreement. The Trust Administrator shall not be required to treat both the original Bond and any substitute Bond as being Outstanding for the purpose of determining the principal amount of Bond which may be executed and delivered hereunder or for the purpose of determining any percentage of Bond Outstanding hereunder; the

Trust Administrator shall consider only the substitute Bond as Outstanding for such purpose. Notwithstanding any other provision of this Section 2.08, in lieu of delivering a new Bond which has been mutilated, lost, destroyed or stolen, and which has matured, the Trust Administrator may make payment with respect to such Bond upon receipt of indemnity satisfactory to the Trust Administrator.

Section 2.09. Payment. Except as otherwise provided herein, payment of interest due with respect to any Bond on any Interest Payment Date shall be made to the person appearing on the Bond Register as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at his address as it appears on the Bond Register as of such Regular Record Date. The principal and prepayment price with respect to a Bond at maturity or upon prior prepayment shall be payable by check denominated in lawful money of the United States of America upon surrender of the Bond at the Trust Office. If the Government is the Owner of the single, fully-registered Bond, surrender shall not be required for payment, except for final payment.

Section 2.10. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by Bond Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Bond. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the holding and ownership of Bonds shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or such Owner's attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the persons signing such instruments acknowledged before such notary or officer the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of the authority of such officer or member.

(b) The fact of the holding of a Bond by any Owner and the amount, the maturity and the numbers of such Bond and the date of the Owner's holding the same may be proved by reference to the Bond Register maintained by the Trust Administrator provided for in Section 2.11 hereof. The Trust Administrator may conclusively assume that such ownership continues until transfer as provided in Section 2.07(a) hereof.

(c) Nothing contained in this Article II shall be construed as limiting the Trust Administrator to such proof, it being intended that the Trust Administrator may accept any other evidence of the matters herein stated which the Trust Administrator may deem sufficient. Any request or consent of the Owner of any Bond shall bind every future Owner of the same Bond in respect of anything done or suffered to be done by the Trust Administrator in pursuance of such request or consent.

Section 2.11. Bond Register. The Trust Administrator will keep or cause to be kept, at the Trust Office, sufficient books for the registration and transfer of the Bonds which shall be open at all reasonable times with reasonable prior notice during normal business hours of the Trust Administrator to inspection by the City and the Agency; and, upon presentation for such purpose, the Trust Administrator shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as hereinbefore provided.

Section 2.12. CUSIP Numbers. The Trust Administrator, the City and the Agency shall not be liable for any defect or inaccuracy in any CUSIP number that appears on any Bond or in any prepayment notice. The Trust Administrator may, in its discretion, include in any prepayment notice a statement to the effect that any CUSIP numbers on the Bond have been assigned by an independent service and are included in such notice solely for the convenience of the Owners and that neither the Trust Administrator, the City nor the Agency shall be liable for any inaccuracies in such numbers. CUSIP numbers shall not be required if the Government is the Original Purchaser of a single, fully registered Bond.

ARTICLE III CONSTRUCTION FUND

Section 3.01. Construction Fund. The Trust Administrator shall establish the Construction Fund and shall keep such fund separate and apart from all other funds and moneys held by the Trust Administrator; and shall administer such fund and account as provided herein. There shall be deposited in the Construction Fund all of the proceeds of sale of the Bonds, including an initial advance received from the Original Purchaser on the Closing Date, and any other funds from time to time deposited with the Trust Administrator for such purpose.

Section 3.02. Payment of Construction Costs.

(a) Except as provided in subsection (b) below and in Section 3.03, amounts in the Construction Fund shall be disbursed for Construction Costs. Disbursements from the Construction Fund shall be made by the Trust Administrator upon receipt of a sequentially numbered requisition, a form of which is attached as Exhibit B, requesting disbursement executed by a City Representative and by the Government as the Bond Owner. Each such requisition shall:

(i) set forth the amounts to be disbursed for payment or reimbursement of previous payments of Construction Costs and the person or persons to whom said amounts are to be disbursed;

(ii) state that the amounts to be disbursed constitute Construction Costs, that said amounts are required to be disbursed pursuant to a contract entered into therefor by or on behalf of the Agency or the City, or were necessarily and reasonably incurred, and that said amounts are not being paid in advance of the time, if any, fixed for payment;

(iii) state that no amount set forth in the requisition was included in any requisition requesting disbursement previously filed with the Trust Administrator pursuant to this Section 3.02;

(iv) state that there has been compliance with Section 11.07 hereof relating to the use of the Construction Fund;

(v) state that insofar as such requisition relates to payment for work, materials, equipment or supplies, such work was actually performed, or such materials, equipment or supplies were actually installed in furtherance of the construction of the Project or delivered to the appropriate site for such purpose, or delivered for storage or fabrication at a place approved by the City; and

(vi) if such requisition relates to payment to a contractor, state that no liens have been imposed on the Project as a result of said construction except liens that have not yet ripened or that would attach by operation of law.

(b) The Trust Administrator shall be responsible for the safekeeping and investment (in accordance with Section 8.02 hereof) of the moneys held in the Construction Fund and the payment thereof in accordance with this Section 3.02, but the Trust Administrator shall not be responsible for such requisitions.

Section 3.03. Payment of Delivery Costs.

(a) Amounts in the Construction Fund shall also be disbursed by the Trust Administrator to pay the Delivery Costs.

(b) The Trust Administrator shall disburse moneys in the Construction Fund to pay the Delivery Costs only upon a receipt of a sequentially numbered requisition, with bills, invoices or statements attached, signed by a City Representative (and, if required, by the Government as the Bond Owner) setting forth the amounts to be disbursed for payment or reimbursement of Delivery Costs and the name and address of the person or persons to whom said amounts are to be disbursed, stating that the amounts to be disbursed are for Delivery Costs properly chargeable to the Construction Fund as Delivery Costs.

Section 3.04. Transfers of Unexpended Proceeds. The Trust Administrator is hereby directed that all unexpended moneys remaining in the Construction Fund and not identified in writing by a City Representative and by the Owner to be required for payment of Construction Costs or other capital improvements (the "Unexpended Proceeds") shall, on the date of completion of the Project or as soon thereafter as the Trust Administrator is so notified, be transferred to the Installment Payment Fund and applied to the prepayment of the Bonds.

ARTICLE IV PREPAYMENT OF CERTIFICATES

Section 4.01. Prepayment.

(a) **Generally.** The Bonds shall not be subject to prepayment prior to maturity, except in the manner, at the times and in all respects in accordance with the provisions of this Article IV.

(b) Prepayment From Net Proceeds of Insurance and Condemnation and from Unexpended Proceeds. The Bonds are subject to prepayment in whole on any date and in part on any Interest Payment Date from the (i) Net Proceeds of any insurance or condemnation award and (ii) Unexpended Proceeds, which are, in either case deposited in the Installment Payment Fund and credited towards the prepayment made by the City pursuant to Section 4.03 of the Installment Sale Agreement, at a prepayment price equal to the principal amount thereof, together with accrued interest to the date fixed for prepayment, without premium.

(c) Optional Prepayment. In addition, the Bonds are subject to prepayment in whole or in part at any time, at the principal amount with respect thereto, without premium, and with accrued interest to the date fixed for prepayment from the proceeds of optional prepayments made by the City pursuant to the Installment Sale Agreement.

Section 4.02. Selection of Bonds for Prepayment. Whenever provision is made in this Trust Agreement for the prepayment of Bonds and less than all Outstanding Bonds are called for prepayment, the Trust Administrator shall select Bonds for prepayment in any order of maturity selected by the City and by lot within a maturity. The Trust Administrator shall promptly notify the City and the Agency in writing of the Bonds so selected for prepayment.

Section 4.03. Notice of Prepayment.

(a) General. Notice of any such prepayment shall be given by the Trust Administrator on behalf and at the expense of the City by mailing a copy of a prepayment notice by first class mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for prepayment to such Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register maintained by the Trust Administrator; provided, however, that neither the failure to receive such notice nor any defect in any notice shall affect the sufficiency of the proceedings for the prepayment of the Bonds.

(b) Contents. All notices of prepayment shall be dated and shall state: (i) the prepayment date, (ii) the prepayment price, (iii) if less than all Outstanding Bonds are to be prepaid, the identification (and, in the case of partial prepayment, the respective principal amounts) of the Bonds to be prepaid, (iv) that on the prepayment date the prepayment price will become due and payable with respect to each such Bond or portion thereof called for prepayment, and that interest with respect thereto shall cease to accrue from and after said date, (v) the place where such Bonds are to be surrendered for payment of the prepayment price, which place of payment shall be the Trust Office.

(c) Deposit. Prior to the mailing of any prepayment notice (other than a prepayment notice relating to Bonds that are to be refunded with the proceeds of refunding bonds or other refunding obligations), the City shall deposit, or cause to be deposited, with the Trust Administrator an amount of money sufficient to pay the prepayment price of all the Bonds or portions of Bonds which are to be prepaid on the applicable prepayment date. In the case of a prepayment notice relating to Bonds that are to be refunded, the City shall deposit, or cause to be deposited, with the Trust Administrator on or prior to the applicable prepayment date, an amount of money sufficient to pay the prepayment price of all the Bonds or portions of Bonds which are to be prepaid on such prepayment date.

(d) **Prepayment.** Notice of prepayment having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the prepayment date, become due and payable at the prepayment price therein specified, and from and after such date (unless the City shall default in the payment of the prepayment price) interest with respect to such Bonds or portions of Bonds shall cease to be payable. Upon surrender of such Bonds for prepayment in accordance with said notice, such Bonds shall be paid by the Trust Administrator at the prepayment price. Installments of interest due on or prior to the prepayment date shall be payable as herein provided for payment of interest. Upon surrender for any partial prepayment of any Bond, there shall be executed and delivered for the Owner a new Bond or Bonds of the same maturity in the amount of the unrepaid principal. All Bonds which have been prepaid shall be canceled by the Trust Administrator, shall not be reissued and shall be destroyed pursuant to Section 14.07. If the Government is the Owner, prepayment shall be endorsed on the single, fully registered Bond registered to the Government.

(e) **CUSIP.** The Trust Administrator shall have no responsibility for a defect in any CUSIP number that appears on any Bond or in the prepayment notice. The prepayment notice may provide that the CUSIP numbers have been assigned by an independent service and are included in the notice solely for the convenience of Bond Owners and that the Trust Administrator and the City shall not be liable in any way for inaccuracies in said numbers.

Section 4.04. Partial Prepayment of Bonds. Upon surrender of any Bond prepaid in part only, the Trust Administrator shall execute and deliver to the Owner thereof, at the expense of the City, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unrepaid portion of the Bond surrendered and of the same interest rate and the same maturity.

Section 4.05. Effect of Notice of Prepayment. After notice has been given and the moneys for the prepayment, including interest to the applicable Interest Payment Date and premium, if any, having been set aside in the Installment Payment Fund, the Bond to be redeemed shall become due and payable on the Interest Payment Date, and, upon presentation and surrender thereof at the Trust Office specified in such notice, such Bond shall be paid at the unpaid principal amount with respect thereto, and any unpaid and accrued interest to the Interest Payment Date.

If, on the Interest Payment Date, moneys for the prepayment of all of the principal of the Bond to be prepaid, together with interest to such Interest Payment Date, shall be held by the Trust Administrator so as to be available therefor on such Interest Payment Date, and, if notice of prepayment thereof shall have been given, then, from and after such Interest Payment Date, interest with respect to the Bond to be prepaid shall cease to accrue and become payable. If such moneys shall not be so available on the Interest Payment Date, interest with respect to such Bond shall continue to be payable at the same rates as it would have been payable had the Bond not been called for prepayment. All moneys held by or on behalf of the Trust Administrator for the prepayment of a particular Bond shall be held in trust for the account of the Owner of the Bond so to be prepaid. The Trust Administrator shall not be liable for any interest earned on the amounts so held.

Section 4.06. Purchase of Bonds. In lieu of prepayment of Bonds as provided in this Article IV, amounts held by the Trust Administrator for such prepayment may also be used on any Interest Payment Date, upon receipt by the Trust Administrator at least ninety (90) days prior to the next scheduled Interest Payment Date of the written request of a City Representative, for the purchase of Bonds at public or private

sale as and when and at such prices (including brokerage, accrued interest and other charges) as the City may in its discretion direct, but not to exceed the prepayment price which would be payable if such Bonds were prepaid; *provided, however*, that no Bond shall be purchased in lieu of prepayment with a trade settlement date less than seventy-five (75) days prior to the relevant prepayment date. The aggregate principal amount of Bonds of the same maturity purchased in lieu of prepayment pursuant to this Section 4.06 shall not exceed the aggregate principal amount of Bonds of such maturity which would otherwise be subject to such prepayment. Remaining moneys, if any, shall be deposited in the Installment Payment Fund.

ARTICLE V INSTALLMENT PAYMENTS; INSTALLMENT PAYMENT FUND

Section 5.01. Assignment of Rights in Installment Sale Agreement. The Agency has, pursuant to the Assignment Agreement, transferred, assigned and set over to the Trust Administrator all of its rights, title and interest in the Installment Sale Agreement (excepting only its rights under Sections 5.08, 6.03 and 7.04 thereof), including but not limited to all of the Agency's rights to receive and collect all of the Installment Payments, any Prepayment and all other amounts required to be deposited in the Installment Payment Fund pursuant to the Installment Sale Agreement or pursuant hereto. All Installment Payments, any Prepayment and such other amounts which the Agency may at any time be entitled, shall be paid directly to the Trust Administrator and, in the event of the receipt or collection of Installment Payments by the Agency, such payments shall be deemed to be held or to have been collected or received by the Agency as agent of the Trust Administrator.

Section 5.02. Establishment of Installment Payment Fund. The Trust Administrator shall establish the Installment Payment Fund. All moneys at any time deposited by the Trust Administrator in the Installment Payment Fund shall be held by the Trust Administrator in trust for the benefit of the Owners of the Bonds. So long as any Bonds are Outstanding, neither the City nor the Agency shall have any beneficial right or interest in the Installment Payment Fund or the moneys deposited therein, except only as provided in this Trust Agreement, and such moneys shall be used and applied by the Trust Administrator as hereinafter set forth.

Section 5.03. Deposits. There shall be deposited in the Installment Payment Fund all Installment Payments, Reserve Installment Payments and Prepayments received by the Trust Administrator, including any moneys received by the Trust Administrator for deposit therein pursuant to Sections 4.01, 5.05, 6.02, hereof or Article IV of the Installment Sale Agreement, and any other moneys required to be deposited therein pursuant to the Installment Sale Agreement or pursuant to this Trust Agreement.

Section 5.04. Application of Moneys in the Installment Payment Fund. All amounts in the Installment Payment Fund shall be used and withdrawn by the Trust Administrator for deposit in the following respective funds (each of which is hereby created and each of which the Trust Administrator or the City hereby covenants and agrees to cause to be maintained so long as any Bonds are Outstanding) at the following times and in the following order of priority (the Trust Administrator shall not withdraw from the Installment Payment Fund an amount in excess of the debt service scheduled to be paid by the Installment Payments deposited therein) and the moneys in each of such funds shall be applied, used and withdrawn only for the purposes and uses hereinafter authorized.

- (1) Interest Fund;
- (2) Principal Fund;
- (3) Reserve Fund; and
- (4) Depreciation Reserve Fund.

(a) ***Interest Fund.*** The Trustee shall transfer from the Installment Payment Fund and deposit in the Interest Fund for receipt before _____ 1 and _____ 1 of each year, beginning on _____ 1, 2016, an amount of money from the Installment Payment Fund which is equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date. No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the amount of the interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date. All money in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Outstanding Bonds; provided that any earnings on deposit in the Interest Fund after payment of interest on Bonds on an Interest Payment Date shall be transferred to the Installment Payment Fund.

(b) ***Principal Fund.*** The Trustee shall deposit in the Principal Fund before _____ 1 and _____ 1 of each year, an amount of money from the Installment Payment Fund equal to the principal portion of the Installment Payments payable on such Installment Payment Date. All money in the Principal Fund shall be used by the Trustee to redeem or purchase the Bonds in accordance with Article IV hereof; provided that any earnings on deposit in the Sinking Fund after payment of Sinking Fund Installments of the Bonds on a Sinking Fund Payment Date shall be transferred to the Revenue Fund.

(c) ***Reserve Fund.*** All moneys at any time on deposit in the Reserve Fund shall be held by the Trust Administrator in trust for the benefit of the Owners of the Bonds, and applied solely as provided in Article IV herein.

(d) ***Depreciation Reserve Fund.*** All moneys at any time on deposit in the Depreciation Reserve Fund shall be held by the Trust Administrator, and applied solely as provided in Article IV herein.

Section 5.05. Surplus. Any surplus remaining in the Installment Payment Fund, after payment of all Bonds, and accrued interest (if any) and payment of any applicable fees, costs and expenses to the Trust Administrator, or provision for such prepayment or payment having been made to the satisfaction of the Trust Administrator, shall be withdrawn by the Trust Administrator and remitted to the City.

ARTICLE VI RESERVE FUNDS

Section 6.01. Establishment of Reserve Fund. The Trust Administrator shall establish the Reserve Fund and shall keep such fund separate and apart from all other funds and moneys held by the Trust Administrator. All moneys at any time on deposit in the Reserve Fund shall be held by the Trust Administrator in trust for the benefit of the Owners of the Bonds, and applied solely as provided herein.

Section 6.02. Deposits. There shall be deposited in the Reserve Fund the amounts specified in Section 3.11 of the Installment Sale Agreement.

Section 6.03. Transfers. The Trust Administrator shall, on or before each _____ 1 and _____ 1, transfer any moneys in the Reserve Fund in excess of the Reserve Requirement as provided in Section 8.03 hereof.

Section 6.04. Application in Event of Deficiency in the Installment Payment Fund. If, on any Interest Payment Date, the moneys available in the Installment Payment Fund do not equal the amount of the principal, interest and prepayment premium (if any) with respect to the Bonds then coming due and payable, the Trust Administrator shall apply the moneys available in the Reserve Fund to make delinquent Installment Payments on behalf of the City and transfer the amount necessary for this purpose to the Installment Payment Fund. Upon receipt of any delinquent Installment Payment with respect to which moneys have been advanced from the Reserve Fund such Installment Payment shall be deposited in the Reserve Fund to the extent of such advance.

Section 6.05. Transfer to Make All Installment Payments. If on any Installment Payment Date, the moneys on hand in the Reserve Fund and the Installment Payment Fund are sufficient to pay all Outstanding Bonds, including all principal and interest the Trust Administrator shall, upon the written direction of a City Representative, accompanied by all amounts then on hand in the Reserve Fund, deposit such funds in the Installment Payment Fund to be applied to the payment of the Installment Payments or Prepayments on behalf of the City, and such moneys shall be distributed to the Owners of the Bonds in accordance with Article II and Article IV of this Trust Agreement.

Section 6.06. Replenishment of Reserve Fund. The City shall maintain or cause to be maintained in the Reserve Fund an amount equal to the amounts required to be deposited therein pursuant to Section 3.11 of the Installment Sale Agreement, and thereafter the amount of the Reserve Requirement. If, on any date of computation, amounts on hand in the Reserve Fund are less than such required amounts because of a transfer therefrom made in accordance with Section 6.04 hereof, the City shall pay to the Trust Administrator, within one (1) year from the date of such deficiency if caused by a deficiency in Net Revenues, an amount necessary to bring the amounts on deposit in the Reserve Fund to the amount required to be maintained therein; provided, however, that the period of time permitted herein for the replenishment of the Reserve Fund by the City shall not affect any other provision of this Trust Agreement.

Section 6.07. Establishment and Application of Depreciation Reserve Fund. The Trust Administrator shall establish and maintain a separate "Depreciation Reserve Fund" as a depreciation reserve for short-lived assets of the Water System, and shall keep such fund separate and apart from all other funds and moneys held by the Trust Administrator.

In accordance with Section 3.12 of the Installment Sale Agreement, the Trust Administrator shall deposit an initial amount of \$ _____ into the Depreciation Reserve Fund on or before the Closing Date, and shall annually thereafter deposit \$ _____ into the Depreciation Reserve Fund by not later than June 30 of each year, starting with fiscal year ending June 30, 2017, and continuing for as long as any of the Bonds remain outstanding.

The City may withdraw amounts on deposit in the Depreciation Reserve Fund from time to time to pay for timely replacement of "short-lived assets" of the Water System, which for purposes of this Section

shall mean any component or assets of the Water System, including without limitation pumps, paint and small equipment, that will need to be repaired or replaced over a one to fifteen-year period, the cost of which is not included within the definition of Operation and Maintenance Costs.

Notwithstanding the foregoing, before each June 30 the City shall evaluate the status and condition of short-lived assets of the Water System and, if such evaluation suggests that a lesser or greater deposit is required in order to provide for the timely replacement of any short-lived assets, the City may upon consultation by the City with the Government decrease the amount of the annual deposit into the Depreciation Reserve Fund if a lesser amount is indicated, but shall increase the amount of the annual deposit in to the Depreciation Reserve Fund if a greater amount is indicated.

Upon the redemption in full of all outstanding Bonds, the City shall close the Depreciation Reserve Fund and the balance therein shall be released to the City and used for any legally permissible purpose of the Water System.

ARTICLE VII INSURANCE AND CONDEMNATION FUND; INSURANCE; EMINENT DOMAIN

Section 7.01. Establishment of Insurance and Condemnation Fund; Application of Net Proceeds of Insurance Award. Any Net Proceeds of insurance against accident to or destruction of any structure constituting any part of the Project collected by the City in the event of any such accident or destruction shall be transferred by the City to the Trust Administrator pursuant to Section 5.07 of the Installment Sale Agreement and the Trust Administrator shall deposit such moneys in a special fund designated as the “Insurance and Condemnation Fund” to be applied and disbursed by the Trust Administrator as provided in Section 5.07(a) of the Installment Sale Agreement.

Section 7.02. Application of Net Proceeds of Eminent Domain Award. If all or any part of the Project shall be taken by eminent domain (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be transferred by the City to the Trust Administrator for deposit in the Insurance and Condemnation Fund pursuant to Section 5.07(b) of the Installment Sale Agreement and shall be applied and disbursed by the Trust Administrator as follows:

(a) If the City determines that such eminent domain proceedings have not materially affected the operation of the Project, or the ability of the City to meet any of its obligations under the Installment Sale Agreement, and if the City determines that such proceeds are: (i) not needed for repair, replacement or rehabilitation of the Project, upon receipt of a Written Certificate from the City the Trust Administrator shall transfer such proceeds to the Installment Payment Fund to be credited towards the prepayments required to be paid pursuant to Section 4.03 of the Installment Sale Agreement and applied to the prepayment of Bonds in the manner provided in Article IV hereof, or (ii) needed for repair or rehabilitation of the Project, upon receipt of a Written Certificate from the City the Trust Administrator shall pay to the City, or to its order, from said proceeds such amounts as the City may expend for such repair or rehabilitation, upon the filing of requisitions of the City Representative, substantially in the form described in Section 3.02 in connection with the payment of Construction Costs.

(b) If (i) less than all of the Project shall have been taken in such eminent domain proceedings, and if the City determines that such eminent domain proceedings have materially affected the operation of the Project or the ability of the City to meet any of its obligations under the Installment Sale Agreement or (ii) all of the Project shall have been taken in such eminent domain proceedings, then upon receipt of written instruction from the City the Trust Administrator shall transfer such proceeds to the Installment Payment Fund to be credited toward the prepayment required to be paid pursuant to Section 4.03 of the Installment Sale Agreement and applied to the prepayment of Bonds in the manner provided in Article IV hereof.

Section 7.03. Excess Net Proceeds. After all of the Bonds have been retired and the entire amount of principal and interest with respect to the Bonds and any remaining fees and expenses of the Trust Administrator have been paid in full, the Trust Administrator shall transfer any remaining funds to the City.

Section 7.04. Cooperation. The Agency shall cooperate with the City at the expense of the City in filing any proof of loss with respect to any insurance policy maintained pursuant to Article V of the Installment Sale Agreement and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Project or any part thereof.

ARTICLE VIII MONEYS IN FUNDS; INVESTMENT

Section 8.01. Held in Trust. The moneys and investments held by the Trust Administrator under this Trust Agreement, except for those held in the Construction Fund, are irrevocably held in trust for the benefit of the Owner(s) of the Bonds, and for the purposes herein specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Trust Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of either the Agency, the Trust Administrator or the City or any Owner of a Bond, or any of them until after the Bonds have been paid in full.

Section 8.02. Investments Authorized. Moneys held by the Trust Administrator hereunder shall be invested and reinvested by the Trust Administrator, to the maximum extent practicable, in Permitted Investments. Unless otherwise directed, the Trust Administrator shall invest the affected moneys in Permitted Investments described in paragraph (f) of the definition thereof. A City Representative may, by written order filed with the Trust Administrator, direct investment of moneys held by the Trust Administrator in specific Permitted Investments. Investments purchased with moneys on deposit in the Reserve Fund shall have a term not greater than five years. Investments, if registrable, shall be registered in the name of and held by the Trust Administrator or the Trust Administrator's nominee. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trust Administrator may act as principal or agent in the making or disposing of any investment. The Trust Administrator shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with this Article VIII. The Trust Administrator shall be entitled to rely conclusively upon the written instructions of a City Representative directing investments as to the fact that each investment is permitted by the laws of the State and constitutes a Permitted Investment hereunder, and the Trust Administrator shall not be required to make further investigation with respect thereto. To the extent that any of the requirements concerning any Permitted Investment embodies a legal conclusion, the Trust Administrator shall be entitled to conclusively rely upon a Written Certificate or

certificate from the appropriate party or an opinion of counsel to such party that such requirement has been met.

Section 8.03. Allocation of Earnings. All interest or income received by the Trust Administrator on investment of the Construction Fund and Installment Payment Fund shall, as received, be retained in the applicable fund. Amounts retained in the Installment Payment Fund pursuant to this Section 8.03 shall be applied as a credit against the Installment Payment due by the City pursuant to the Installment Sale Agreement on the Installment Payment Date following the date of deposit. All interest or income received by the Trust Administrator on investment of the Reserve Fund shall be retained in the Reserve Fund in the event that amounts on deposit in the Reserve Fund are less than the Reserve Requirement. Pursuant to Section 6.03 hereof, in the event that amounts then on deposit in the Reserve Fund equal or exceed the Reserve Requirement, such excess shall be transferred to the Installment Payment Fund and shall be applied as a credit against the Installment Payment due by the City pursuant to the Installment Sale Agreement on the Installment Payment Date following the date of deposit. Transfers to the Installment Payment Fund from the Reserve Fund shall be made by the Trust Administrator on or prior to each Installment Payment Date.

Section 8.04. Accounting. The Trust Administrator shall furnish to the City a semi-annual accounting of all investments, transactions and disbursements made by the Trust Administrator. The Trust Administrator may commingle, at its sole discretion, any of the funds held by it pursuant to this Trust Agreement into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trust Administrator hereunder shall be accounted for separately notwithstanding such commingling by the Trust Administrator.

Section 8.05. Acquisition, Disposition and Valuation of Investments.

(a) Except as otherwise provided in subsection (b) of this Section 8.05, the City covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Trust Agreement, 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 Trust Agreement or the Tax Code) at Fair Market Value.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code and (unless valuation is undertaken at least annually) investments in the Reserve Fund shall be valued at their present value (within the meaning of section 148 of the Tax Code).

ARTICLE IX THE TRUST ADMINISTRATOR

Section 9.01. Appointment of Trust Administrator. The Trust Administrator is hereby appointed by the Agency and the City for the purpose of receiving all moneys required to be deposited with the Trust Administrator hereunder and to allocate, use and apply the same as provided in this Trust Agreement.

(a) **General.** The Trust Administrator is hereby authorized to pay or redeem the Bonds when duly presented for payment at maturity, or on prepayment, and to cancel all Bonds upon

payment thereof. The Trust Administrator shall keep accurate records of all funds administered by it and of all Bonds paid and discharged. The Trust Administrator shall be compensated for its services rendered pursuant to the provisions of this Trust Agreement and shall be reimbursed for costs and expenses, including attorney's fees, incurred in connection therewith, subject to the provisions of any written agreement between the Trust Administrator and the City.

(b) Successor. So long as no Event of Default shall have occurred and be continuing, the City may, with the written consent of the Owners, remove the Trust Administrator initially appointed, and any successor thereto, on thirty (30) days written notice and may appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company which shall be a corporation organized and doing business under the laws of any state, the City or the United States of America, authorized under such laws to exercise corporate trust powers, which shall have (or, in the case of a corporation included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority, so long as any Bonds are Outstanding. If such corporation publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of this Section 9.01 the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any removal of the Trust Administrator shall not be effective until written acceptance of appointment by the successor Trust Administrator.

(c) Resignation. The Trust Administrator may at any time resign by giving written notice to Agency and the City and by providing notice by first class mail, postage prepaid, to the Owners at their addresses as shown on the Bond Register maintained by the Trust Administrator. Said mailing shall be made prior to the proposed effective date of resignation. Upon receiving such notice of resignation, the City, with the written consent of the Owners, shall promptly appoint a successor Trust Administrator by an instrument in writing; *provided, however*, that in the event that the City does not appoint a successor Trust Administrator within thirty (30) days following receipt of such notice of resignation, the Agency may appoint a successor Trust Administrator and in the event that Agency does not appoint such successor Trust Administrator, the resigning Trust Administrator, at the expense of the City, may petition any appropriate court having jurisdiction to appoint a successor Trust Administrator. Any resignation or removal of the Trust Administrator and appointment of a successor Trust Administrator shall become effective upon acceptance of appointment by the successor Trust Administrator and receipt by the Trust Administrator of any fees and expenses due and payable to it.

Section 9.02. Liability of Trust Administrator. The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of Agency and the City, and the Trust Administrator neither assumes any responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Trust Agreement or of the Bonds nor shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon the Trust Administrator.

Section 9.03. Merger or Consolidation. Any company into which the Trust Administrator may be merged or converted or with which any of them may be consolidated or any company resulting from any merger, conversion or consolidation to which any of them shall be a party or any company to which the

Trust Administrator may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible under Section 9.01, shall be the successor to the Trust Administrator without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 9.04. Protection and Rights of the Trust Administrator. The following provisions shall apply to the Trust Administrator in the event the Trust Administrator is not then an officer or employee of the City and shall also apply to the Trust Administrator in the event the Trust Administrator is then an officer or employee of the City, but only to the extent that such provisions do not conflict with such Trust Administrator's duties as a City officer or employee.

(a) **Good Faith.** The Trust Administrator shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificates, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Trust Agreement, and the Trust Administrator shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements.

(b) **Ownership Claims.** The Trust Administrator shall not be bound to recognize any person as an Owner of any Bond or to take any action at such Owner's request unless such Bond shall be deposited with the Trust Administrator or satisfactory evidence of the ownership of such Bond shall be furnished to the Trust Administrator.

(c) **Counsel.** The Trust Administrator may consult with counsel, who may be counsel to the City, with regard to legal questions and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith in accordance therewith.

(d) **Proof.** Whenever in the administration of its duties under this Trust Agreement, the Trust Administrator shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) shall be deemed to be conclusively proved and established by the Written Certificate of the City Representative or Agency Representative and such Written Certificate shall be full warranty to the Trust Administrator for any action taken or suffered under the provisions of this Trust Agreement upon the faith thereof, but in its discretion the Trust Administrator may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

(e) **Owner.** The Trust Administrator may become the Owner of Bonds with the same rights it would have if it were not Trust Administrator; may acquire and dispose of other bonds or evidence of indebtedness of the City with the same rights it would have if it were not the Trust Administrator; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Bonds, whether or not such committee shall represent the Owners of the majority in principal amount of the Bond then Outstanding.

(f) Powers and Liability. The Trust Administrator may execute any of the powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of its duty hereunder, and the Trust Administrator shall not be liable for the default or misconduct of any such attorney, agent, or receiver selected by it with reasonable care. The Trust Administrator shall not be liable for the exercise of any discretion or power under this Trust Agreement or for anything whatever in connection with the funds and accounts established hereunder, except only for its own willful misconduct or negligence.

(g) Limits of Liability. The Trust Administrator undertakes to perform such duties, and only such duties as are specifically set forth in this Trust Agreement and no implied duties or obligations shall be read into this Trust Agreement against the Trust Administrator. No provision in this Trust Agreement shall require the Trust Administrator to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it. In accepting the duties hereby enumerated, the Trust Administrator acts solely as Trust Administrator for the Owners and not in its individual capacity and all persons, including without limitation the Owners and the City or Agency having any claim against the Trust Administrator arising from this Trust Agreement shall look only to the funds and accounts held by the Trust Administrator hereunder for payment except as otherwise provided herein. Under no circumstances shall the Trust Administrator be liable in its individual capacity for the obligations evidenced by the Bonds. The Trust Administrator shall not be liable in its individual capacity with respect to any action taken or omitted to be taken by the Trust Administrator in good faith in accordance with the written request of the Owners of the Bonds.

(h) No Representations. The Trust Administrator makes no representation or warranty, express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City of the Project. In no event shall the Trust Administrator be liable for incidental, indirect, special or consequential damages in connection with or arising from the Installment Sale Agreement or Trust Agreement for the existence, furnishing or use of the Project.

(i) Enforcement; Knowledge. The Trust Administrator shall not be responsible for the sufficiency or enforceability of the Installment Sale Agreement or the assignment under the Assignment Agreement of its rights to receive Installment Payments. The Trust Administrator shall not be deemed to have knowledge of any Event of Default hereunder or under the Installment Sale Agreement except failure by the City to make Installment Payments unless the Trust Administrator shall be specifically notified in writing of such Event of Default.

(j) Released and Unclaimed Funds. The Trust Administrator shall not be accountable for the use or application by the City or any other party of any funds which the Trust Administrator has released under this Trust Agreement. Subject to applicable escheat laws, any amounts unclaimed two (2) years after the final prepayment or maturity date of the Bond, whichever occurs first, shall be paid by the Trust Administrator to the City, and thereafter, the Owner of any Bond remaining unpaid shall look to the City for the payment of such Bond.

Section 9.05. Appointment of Trust Administrator. In the event that an Event of Default shall occur or if it shall otherwise be necessary for the Trust Administrator to enforce payment of the Installment Payments, Prepayments or any other amount required to be deposited into the Installment Payment Fund or the Insurance and Condemnation Fund, or to exercise any of the remedies set forth in Article XIII hereof, or if it is determined that the Trust Administrator is unable to perform any of the other duties hereunder, the City, with the written consent of the Government as the Owner, shall appoint a bank or trust company as Trust Administrator hereunder (the “Trust Administrator”) to succeed to the duties and responsibilities of the Trust Administrator hereunder, such appointment to be effective immediately upon written notice thereof to the Trust Administrator. Any Trust Administrator appointed in such circumstances shall meet the requirements of Section 9.01(b) hereof. Upon such appointment, the term “Trust Administrator” in this Agreement shall also refer to such Trust Administrator.

ARTICLE X MODIFICATION OR AMENDMENT OF AGREEMENTS

Section 10.01. Amendments Permitted.

(a) With Consent. This Trust Agreement and the rights and obligations of the Owners of the Bonds and the Installment Sale Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which shall become effective when the written consent of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 10.03, shall have been filed with the Trust Administrator. No such modification or amendment shall (1) extend or have the effect of extending the fixed maturity of any Bond or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the prepayment thereof, without the express consent of the Owner of such Bond, or (2) reduce or have the effect of reducing the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification of the Installment Sale Agreement, or (3) modify any of the rights or obligations of the Trust Administrator without its written assent thereto. Any such supplemental agreement shall become effective as provided in Section 10.02.

(b) Without Consent. This Trust Agreement and the rights and obligations of the Owners of the Bonds and the Installment Sale Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any such Owners, but only to the extent permitted by law and only (1) to cure, correct or supplement any ambiguous or defective provision contained herein or therein, or (2) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which shall not, in the opinion of nationally recognized bond counsel, materially adversely affect the interest of the Owners of the Bonds, or (3) if and to the extent specified in an opinion of nationally recognized bond counsel filed with the City, the Agency and the Trust Administrator, to make such additions, deletions or modifications as may be necessary to assure compliance with section 148(f) of the Tax Code or otherwise as may be necessary to assure exclusion from gross income for purposes of federal income taxation of the interest component of

Installment Payments. Any such supplemental agreement shall become effective upon its execution and delivery by the parties hereto or thereto as the case may be.

(c) **Counsel.** The Trust Administrator may obtain an opinion of Independent Counsel that any amendment entered into hereunder complies with the provisions of this Article X and the Trust Administrator may rely conclusively on such opinion.

Section 10.02. Procedure for Amendment with Written Consent of Bond Owners.

(a) **General.** This Trust Agreement or the Installment Sale Agreement may be amended by supplemental agreement as provided in this Section 10.02 in the event the consent of the Owners of the Bonds is required pursuant to Section 10.01. A copy of such supplemental agreement, together with a request to the Bond Owners for their consent thereto, shall be mailed by the Trust Administrator to the Owner of each Bond at his address as set forth in the Bond Register, but failure to mail copies of such supplemental agreement and request shall not affect the validity of the supplemental agreement when assented to as provided in this Section 10.02.

(b) **Effective.** Such supplemental agreement shall not become effective unless there shall be filed with the Trust Administrator the written consent of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 10.03) and a notice shall have been mailed as hereinafter provided in this Section 10.02. Each such consent shall be effective only if accompanied by proof of ownership of the Bond for which such consent is given, which proof shall be such as is permitted by Section 2.11. Any such consent shall be binding upon the Owner of the Bond giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trust Administrator within five (5) Business Days of the date when the notice of consent hereinafter in this Section 10.02 provided for has been mailed. Any revocation received by the Trust Administrator later than five (5) Business Days after such notice has been mailed shall be of no force and effect.

(c) **Notice.** After the Owners of the required percentage of Bonds shall have filed their consents to such supplemental agreement, the Trust Administrator shall mail a notice to the Owners of the Bonds in the manner hereinbefore provided in this Section 10.02 for the mailing of such supplemental agreement at the notice of adoption thereof, stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section 10.02 (but failure to mail copies of said notice shall not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by this Section 10.02 to be filed with the Trust Administrator, shall be conclusive proof of the matters therein stated until the contrary is proved. Such supplemental agreement shall be deemed conclusively binding upon the parties hereto and the Owners of all Bonds at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty (60) day period.

Section 10.03. Disqualified Bonds. Bonds owned or held by or for the account of the City or by any person directly or indirectly controlled or controlled by, or under direct or indirect common control

with the City (except any Bond held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Bonds provided for in this Trust Agreement, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Trust Agreement.

Section 10.04. Effect of Supplemental Agreement. From and after the time any supplemental agreement becomes effective pursuant to this Article X, this Trust Agreement or the Installment Sale Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental agreement shall be deemed to be part of the terms and conditions of this Trust Agreement or the Installment Sale Agreement, as the case may be, for any and all purposes.

The City may adopt appropriate regulations to require each Bond Owner, before such Owner's consent provided for in this Article X shall be deemed effective, to reveal whether the Bond as to which such consent is given is disqualified as provided in Section 10.03.

Section 10.05. Endorsement or Replacement of Bonds Delivered After Amendments. The City may determine that Bonds delivered after the effective date of any action taken as provided in this Article X shall bear a notation, by endorsement or otherwise, in form approved by the Trust Administrator, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his or her Bond for the purpose at the Trust Office, a suitable notation shall be made on such Bond. The City may determine that new Bond, so modified as in the opinion of the City is necessary to conform to such Bond Owners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bond then Outstanding, such new Bond shall be exchanged at the Trust Office, without cost to such Owner, for a Bond of the same character then Outstanding, upon surrender of such Bond.

Section 10.06. Amendatory Endorsement of Bond. The provisions of this Article X shall not prevent any Bond Owner from accepting any amendment as to the particular Bond held by him, provided that due notification thereof is made on such Bond.

ARTICLE XI COVENANTS

Section 11.01. Compliance With and Enforcement of Installment Sale Agreement. The City and the Agency covenant and agree with the Owners of the Bonds to perform all obligations and duties imposed on them under the Installment Sale Agreement and this Trust Agreement. The City or the Agency, immediately upon receiving or giving any notice or communication or other document in any way relating to or affecting their respective interests in the Project which may or can in any manner affect such interest, will deliver the same, or a copy thereof, to the Trust Administrator. The City will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Installment Sale Agreement by the Agency thereunder.

Section 11.02. Payment of Taxes. The City will, subject to any right of challenge thereof, pay or cause to be paid all taxes, assessments and other governmental charges, if any, that may be levied, assessed or charged upon the Project or any part thereof, promptly as and when the same shall become due and payable; and the City will keep the Trust Administrator advised in writing of such payments. The City will not suffer the Project, or any part thereof, to be sold for any taxes, assessments or other charges whatsoever, or to be forfeited therefor.

Section 11.03. Observance of Laws and Regulations. The City will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it with respect to the Water System by contract, or prescribed by any law of the United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the City with respect to the Water System to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 11.04. Prosecution and Defense of Suits. The City shall promptly, upon request of the Trust Administrator or any Bond Owner holding at least 25% in principal amount of the Bonds from time to time, take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Project, whether now existing or hereafter developing and shall, to the extent permitted by law, prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Trust Administrator and every Bond Owner harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

Section 11.05. Further Assurances. The Agency, the City and the Trust Administrator (at the cost and request of the City or the Agency) will 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 Trust Agreement, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided herein.

Section 11.06. Filing. The City shall be responsible for the filing of any supplemental instruments or documents of further assurance as may be required by law in order to perfect or renew the security interests created by this Trust Agreement. Neither the Trust Administrator nor the Agency shall be responsible for such filing.

Section 11.07. Private Activity Bond Limitation. The City shall assure that proceeds of the Bonds are not so used as to cause the Bonds or the Installment Sale Agreement 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.

Section 11.08. 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 any of the Bonds or the Installment Sale Agreement to be “federally guaranteed” within the meaning of section 149(b) of the Tax Code.

Section 11.09. Rebate Requirement. The City shall take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds and the Installment Sale Agreement.

Section 11.10. No Arbitrage. The City shall not take, or permit or suffer to be taken by the Trust Administrator or otherwise, any action with respect to the proceeds of the Bonds 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 or the Installment Sale Agreement to be “arbitrage bonds” within the meaning of section 148 of the Tax Code.

Section 11.11. Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest with respect to the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

Section 11.12. Small Issuer Exemption from Bank Nondeductibility Restriction. The City and Agency hereby designate the Installment Sale Agreement and 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 Code) from gross income for federal income tax purposes (excluding (i) private activity bonds, as defined in section 141 of the Code, except certain qualified 501(c)(3) bonds as defined in section 145 of the 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 Installment Sale Agreement, has been or will be issued by the City and Agency, including all subordinate entities of the City, during the calendar year 2016.

ARTICLE XII LIMITATION OF LIABILITY

Section 12.01. Limited Liability of City. Except for the payment of Installment Payments and Prepayments when due in accordance with the Installment Sale Agreement and the performance of the other covenants and agreements of the City contained in said Agreement, the City shall have no pecuniary obligation or liability to any of the other parties or to the Owners of the Bonds with respect to this Trust Agreement or the terms, execution, delivery or transfer of the Bonds, or the distribution of Installment Payments to the Owners by the Trust Administrator except as expressly set forth herein.

Section 12.02. No Liability of the Agency for Trust Administrator Performance. In the event that a Trust Administrator shall be appointed pursuant to Section 9.05 to perform the duties of Trust Administrator hereunder, neither the City nor the Agency shall have any obligation or liability to the other party or to the Owners of the Bonds with respect to the performance by such Trust Administrator of any duty imposed upon such Trust Administrator under this Trust Agreement.

Section 12.03. Indemnification of Trust Administrator. In the event that a Trust Administrator shall be appointed pursuant to Section 9.05 to perform the duties of Trust Administrator hereunder, the City shall to the extent permitted by law indemnify and save such Trust Administrator, its officers, employees, directors and agents harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of:

- (a) the use, maintenance, condition or management of, or from any work or thing done on, the Project by the Agency or the City;
- (b) any breach or default on the part of the Agency or the City in the performance of any of their respective obligations under the Installment Sale Agreement, this Trust Agreement and any other agreement made and entered into for purposes of the Project;
- (c) any act of the Agency or the City or of any of their respective agents, contractors, servants, employees or licensees with respect to the Project;
- (d) any act of any assignee of, or purchaser from the Agency or the City or of any of its or their respective agents, contractors, servants, employees or licensees with respect to the Project;
- (e) the acquisition, construction, installation and equipping of the Project or the authorization of payment of Construction Costs or Delivery Costs;
- (f) the actions of any other party, including but not limited to (i) the ownership, operation or use of the Project by the Agency or the City, (ii) the Trust Administrator's exercise and performance of its powers and duties hereunder, or (iii) the offering and sale of the Bonds. No indemnification will be made under this Section 12.03 or elsewhere in this Trust Agreement for willful misconduct or negligence under this Trust Agreement by such Trust Administrator, its officers or employees. The City's obligations hereunder shall remain valid and binding notwithstanding maturity and payment of the Bonds or resignation or removal of such Trust Administrator.

Section 12.04. Limitation of Rights to Parties and Bond Owners. Nothing in this Trust Agreement or in the Bonds expressed or implied is intended or shall be construed to give any person other than the City, the Agency, the Trust Administrator and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Trust Agreement or any covenant, condition or provision hereof; and all such covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the City, the Agency, the Trust Administrator and said Owners.

ARTICLE XIII

EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

Section 13.01. Assignment of Rights. Pursuant to the Assignment Agreement, the Agency transfers, assigns and sets over to the Trust Administrator all of the Agency's rights under the Installment Sale Agreement (excepting only the Agency's rights under Sections 5.08, 6.03 and 7.04 thereof), including without limitation the Agency's rights to exercise such rights and remedies conferred on the Agency pursuant to the Installment Sale Agreement as may be necessary or convenient (i) to enforce payment of the Installment Payments, Prepayments and any other amounts required to be deposited in the Installment Payment Fund or the Insurance and Condemnation Fund, and (ii) otherwise to exercise the Agency's rights and take any action to protect the interests of the Trust Administrator or the Bond Owners in an Event of Default.

Section 13.02. Remedies. If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trust Administrator may exercise any and all remedies available hereunder pursuant to law or granted pursuant to the Installment Sale Agreement.

Upon the occurrence of an Event of Default, the Trust Administrator may, and shall, at the written direction of the Owners of a majority of the principal amount of Bonds then Outstanding, by written notice to the City, declare the principal of the Installment Payments to be immediately due and payable, whereupon that portion of the principal of the Installment Sale Agreement thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Trust Agreement or in the Installment Payments to the contrary notwithstanding.

Remedies shall be cumulative with respect to the Trust Administrator and the Owners. If any remedial action is discontinued or abandoned, the Trust Administrator and the Owners shall be restored to their former positions.

Section 13.03. Application of Funds. All moneys received by the Trust Administrator pursuant to any right given or action taken under the provisions of this Article XIII or of Article VII of the Installment Sale Agreement, shall be applied by the Trust Administrator in the order following upon presentation of the several Bonds and the stamping thereon of the payment if only partially paid or upon the surrender thereof if fully paid:

(a) First, to the payment of the costs and expenses of the Trust Administrator hereunder (including, but not limited to, the costs and expenses of itself and its counsel) and, after such payment to the Trust Administrator, of the Bond Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel, together with interest on all such amounts advanced as provided in the Installment Sale Agreement;

(b) Second, to the payment of the whole amount then owing and unpaid with respect to the Bonds for principal and interest, with interest on the overdue principal and installments of interest at the rate or rates specified in the respective Bonds (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Bonds, then to the payment of such principal and interest

without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Section 13.04. Institution of Legal Proceedings. If one or more Events of Default shall happen and be continuing, the Trust Administrator in its discretion may, and upon the written request of the Owners of a majority in principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Bonds by a suit in equity or action at law, for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trust Administrator shall deem most effectual to enforce any of its rights or duties hereunder.

Section 13.05. Non-waiver. Nothing in this Article XIII or in any other provision of this Trust Agreement, or in the Bonds, shall affect or impair the obligation of the City, which is absolute and unconditional subject to Section 3.06 of the Installment Sale Agreement, to pay or prepay the Installment Payments as provided in the Installment Sale Agreement, or affect or impair the right of action, which is also absolute and unconditional, of the Bond Owners to institute suit to enforce such payment. No delay or omission of the Trust Administrator or of any Owner of any of the Bonds to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by this Article XIII to the Trust Administrator or to the Owners of Bonds may be exercised from time to time and as often as shall be deemed expedient by the Trust Administrator or the Bond Owners.

Section 13.06. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trust Administrator or to the Bond Owners is intended to be exclusive of any other remedy, and 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.

Section 13.07. Power of Trust Administrator to Control Proceedings. In the event that the Trust Administrator, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trust Administrator shall not, unless there no longer continues an Event of Default hereunder, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of at least a majority in principal amount of the Bonds Outstanding hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Section 13.08. Limitation on Bond Owners' Right to Sue. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Trust Agreement, unless (a) such Owner shall have previously given to the Trust Administrator written notice of the occurrence of an Event of Default hereunder; (b) the Owners of at least a majority in aggregate principal amount of all the Bond then Outstanding shall have made written request upon the Trust Administrator to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c)

said Owners shall have tendered to the Trust Administrator reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trust Administrator shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trust Administrator.

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

The right of any Owner of any Bond to receive payment of said Owner's proportionate interest in the Installment Payments as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of this Section 13.08 or any other provision of this Trust Agreement.

Section 13.09. Parties Interested Herein. Nothing in this Trust Agreement expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City, the Agency, the Trust Administrator and the Owners any right, remedy or claim under or by reason of this Trust Agreement, or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Trust Agreement contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Agency, the Trust Administrator and the Owners.

ARTICLE XIV MISCELLANEOUS

Section 14.01. Defeasance. If all Outstanding Bonds shall be paid and discharged in any one or more of the following ways:

- (a) **Payment.** By paying or causing to be paid the principal with respect to and interest with respect to all Bonds Outstanding, as and when the same become due and payable;
- (b) **Deposit.** By depositing with the Trust Administrator, in trust, at or before maturity, money which, together with the amounts then on deposit in the Installment Payment Fund and the Reserve Fund, is fully sufficient to pay all Bonds Outstanding, including all principal and interest;
- (c) **Escrow.** By irrevocably depositing with the Trust Administrator or an escrow agent, in trust, cash or Defeasance Obligations in such amount as an independent nationally recognized certified public accountant shall determine in a written report delivered to the Trust Administrator or escrow agent will, together with the interest to accrue thereon and moneys then on deposit in the Installment Payment Fund and the Reserve Fund, if required, together with the interest to accrue thereon, be fully sufficient to pay and discharge all Bonds (including all principal and interest) at or before their respective maturity dates; or

(d) **Security Deposit.** By depositing with the Trust Administrator, under an escrow deposit and trust agreement, security for the payment of Installment Payments as more particularly described in Section 4.05 of the Installment Sale Agreement, said security to be held by the Trust Administrator, as agent for City, and to be applied by the Trust Administrator to Installment Payments representing the obligation of the City under the Installment Sale Agreement, as described in Section 4.05 of the Installment Sale Agreement;

(e) **Effect.** Notwithstanding that any Bonds shall not have been surrendered for payment, all rights hereunder of the Owners of the Bonds and all obligations of the Agency, the Trust Administrator and the City under this Trust Agreement with respect to all Outstanding Bonds shall cease and terminate, except only the obligation of the Trust Administrator to pay or cause to be paid, from Installment Payments paid by or on behalf of the City from deposits pursuant to paragraphs (b) through (d) of this Section 14.01, to the Owners of the Bonds not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to paragraphs (b) through (d) of this Section 14.01, the Bonds shall continue to represent direct, undivided and fractional interests of the Owners thereof in Installment Payments under the Installment Sale Agreement.

(f) **Payment Date.** All monies held or deposited pursuant to subsections (b) through (d), above, shall be used to pay and prepay Bonds on the earliest possible date.

(g) **Surplus Funds.** Any funds held by the Trust Administrator, at the time of one of the events described above in subsections (a) through (d) above, which are not required for the payment to be made to Owners, or for payments to be made to the Trust Administrator by the City (including attorneys' fees), shall be paid over to the City.

Section 14.02. Records. The Trust Administrator shall keep complete and accurate records of all moneys received and disbursed under this Trust Agreement, which shall be available for inspection by the City, the Agency, and the Owners of not less than 10% in aggregate principal amount of the Bonds Outstanding, or the agent of any of them, upon reasonable prior notice and during regular business hours.

Section 14.03. Notices. All written notices to be given under this Trust Agreement shall be given by mail first class, postage prepaid, to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other parties in writing from time to time. Any such notice shall be deemed to have been received 48 hours after deposit in the United States mail, with postage fully prepaid.

If to the City:

City of Lakeport
225 Park Street
Lakeport, CA 95453
Attention: City Manager

If to the Agency:

City of Lakeport
225 Park Street
Lakeport, CA 95453
Attention: Executive Director

If to the Trust Administrator: Finance Director
City of Lakeport
225 Park Street
Lakeport, CA 95453
Attention: Finance Director

If to the Government: Rural Development, United States
Department of Agriculture
777 Sonoma Ave "E" St Annex
Santa Rosa, CA 95404
Attention: Area Specialist

And

Rural Development, United States
Department of Agriculture
430 G Street
Suite 4169
Davis, CA 95616
Attention: Community Programs Specialist

Section 14.04. Governing Law. This Trust Agreement shall be construed and governed in accordance with the laws of the State.

Section 14.05. Binding Effect; Successors. This Trust Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Whenever in this Trust Agreement the Agency, the City or the Trust Administrator is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Trust Agreement contained by or on behalf of the Agency, the City or the Trust Administrator shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 14.06. Execution in Counterparts. This Trust 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 agreement.

Section 14.07. Destruction of Canceled Bond. Whenever in this Trust Agreement provision is made for the surrender to or cancellation by the Trust Administrator and the delivery to the City of any Bond, the Trust Administrator may, in lieu of such cancellation and delivery, destroy such Bond and deliver a certificate of such destruction to the City.

Section 14.08. Headings. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Trust Agreement. All references herein to "Articles," "Sections," and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Trust Agreement; and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 14.09. Limitation of Rights to Parties and Bond Owners. Nothing in this Trust Agreement or in the Bonds expressed or implied is intended or shall be construed to give to any person

other than the Agency, the City, the Trust Administrator and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Trust Agreement or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Agency, the City, the Trust Administrator and the Owners of the Bonds delivered hereunder.

Section 14.10. Waiver of Notice. Whenever in this Trust Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 14.11. Payments Due on Other than Business Day. If the date for making any payment as provided in this Trust Agreement is not a Business Day, such payment must be made on the previous Business Day.

Section 14.12. Payment of Unclaimed Moneys. Notwithstanding any provisions of this Trust Agreement, any moneys held by the Trust Administrator in trust for the payment of the principal or interest due with respect to any Bond and remaining unclaimed two years from the date of payment or prepayment of such Bond, or if the law shall have been changed and the City has notified the Trust Administrator of such change or the Trust Administrator notifies the City, then on the date thirty (30) days prior to the then applicable escheat provision of State law, shall, on such date, be repaid to the City free from the trusts created by this Trust Agreement, and all liability of the Trust Administrator with respect to such moneys shall thereupon cease; *provided, however,* that before the repayment of such moneys to the City as aforesaid, the Trust Administrator may (at the cost and request of the City) first mail to the Owners to whom such amounts have not yet been paid, at the addresses shown on the Bond Register, a notice, in such form as may be deemed appropriate by the Trust Administrator with respect to the amounts so payable and with respect to the provisions relating to the repayment to the City of the moneys held for the payment thereof. The Trust Administrator shall not be liable for any interest on funds held by it. The City shall not be liable for any interest on the sums paid to it pursuant to this Section 14.12 and shall not be regarded as a Trust Administrator of such money.

Section 14.13. Separability of Invalid Provisions. In case any one or more of the provisions contained in this Trust Agreement or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Trust Agreement, and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Trust Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Trust Agreement may be held illegal, invalid or unenforceable.

* * * * *

IN WITNESS WHEREOF, the parties have executed this Trust Agreement as of the date and year first above written.

FINANCE DIRECTOR OF THE CITY OF
LAKEPORT
as Trust Administrator

By _____
Finance Director

MUNICIPAL FINANCING AGENCY OF
LAKEPORT

By _____
Executive Director

CITY OF LAKEPORT

By _____
City Manager

Attest

By _____
City Clerk

EXHIBIT A**FORM OF REVENUE BOND**

No. R-1

\$_____.00

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA**

**MUNICIPAL FINANCING AGENCY OF LAKEPORT
(City of Lakeport, California)
SERIES 2016 WATER ENTERPRISE REVENUE BONDS
(Water System Improvement Project)
BANK QUALIFIED**

INTEREST PAYMENT DATES	RATE OF INTEREST	DATED DATE
_____ 1 and _____ 1 as described below	_____%	May __, 2016

REGISTERED OWNER: UNITED STATES OF AMERICA, ACTING THROUGH RURAL UTILITIES SERVICE, UNITED STATES DEPARTMENT OF AGRICULTURE

PRINCIPAL AMOUNT: _____ MILLION _____ THOUSAND DOLLARS

THIS IS TO CERTIFY THAT the Registered Owner identified above, or registered assigns, as the registered owner (the "Registered Owner") of this Series 2016 Water Enterprise Revenue Bond (the "Bond") is the owner of a direct, undivided fractional interest in installment payments (the "Installment Payments") payable under the Installment Sale Agreement dated as of May 1, 2016 (the "Installment Sale Agreement") by and between the MUNICIPAL FINANCING AGENCY OF LAKEPORT, a California joint powers authority duly organized and existing pursuant to the laws of the State of California (the "Agency"), and the CITY OF LAKEPORT (the "City"), a general law city and public agency duly organized and validly existing under the laws of the State of California. The Installment Payments and certain other rights and interests under the Installment Sale Agreement have been assigned to the Finance Director of the City, as trust administrator (the "Trust Administrator"), having an office in the location described in the Trust Agreement referred to below.

The Registered Owner of this Bond is entitled to receive, subject to the terms of the Installment Sale Agreement, on the Maturity Dates identified below, or any earlier prepayment date, the Principal Amounts identified below representing a direct, undivided fractional share of the portion of the Installment Payments designated as principal as follows:

and to receive on _____ 1, 2016, and semiannually thereafter on _____ 1 and _____ 1 of each year (each an "Interest Payment Date") until payment in full of said principal the Registered Owner's direct, undivided fractional share of the Installment Payments designated as interest coming due during the interest period immediately preceding each of the Interest Payment Dates. Interest represented hereby shall be payable at the above stated Rate of Interest from the Dated Date identified above. The Registered Owner's share of the portion of the Installment Payments designated as interest is the result of the multiplication of the share of the portion of the Installment Payments designated as principal as shown and endorsed on the attached Certificate of Advances of Payment from the United States of America, by the Rate of Interest per annum identified above, calculated on the basis of a 365-day year.

Principal represented hereby is payable in lawful money of the United States of America upon surrender hereof at the Office of the Trust Administrator, and interest represented hereby is payable by check or draft mailed by first class mail by the Trust Administrator on each Interest Payment Date to the Registered Owner at such Owner's address as it appears on the bond register of the Trust Administrator as of the preceding Record Date; provided, however, that so long as the United States of America remains the Registered Owner of the Bonds, payment of principal shall be made on each Principal Payment Date and payment of interest shall be made on each Payment Date to the Registered Owner, unless otherwise requested by the Registered Owner, by the Pre-Authorized Debit (PAD) payment process (i.e., the City's payments shall be electronically debited from the Installment Payment Fund on each Interest Payment Date in accordance with the PAD process established by Form SF-5510 and Form RD 3550-28, both entitled "Authorization Agreement for Pre-Authorized Payments").

This Bond has been executed and delivered by the Trust Administrator pursuant to the terms of a Trust Agreement by and among the Trust Administrator, the Agency and the City, dated as of May 1, 2016 (the "Trust Agreement"). The City has certified that it is authorized to enter into the Installment Sale Agreement and this Trust Agreement under the laws of the State of California, for the purpose of paying the costs of certain public capital improvements.

Reference is hereby made to the Installment Sale Agreement and the Trust Agreement (copies of which are on file at the Office of the Trust Administrator) for a description of the terms on which the Bonds

are delivered, the rights thereunder of the owners of the Bonds, the rights, duties and immunities of the Trust Administrator and the rights and obligations of the City under the Installment Sale Agreement, to all of the provisions of the Installment Sale Agreement and the Trust Agreement the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

This single Bond is issued by the City and represents the \$_____ Series 2016 Water Enterprise Revenue Bonds (Water System Improvement Project), all of like, date, tenor and effect, but differing in amounts and maturities, authorized to be executed and delivered pursuant to the Trust Agreement.

This Bond is transferable only to a Qualified Institutional Buyer (as such term is defined by Rule 144A of the Securities Act of 1933) or other persons with the consent of the City and the Agency, by the Registered Owner thereof in person or by his attorney duly authorized in writing, at the Trust Office, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement, and upon surrender of this Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer in the form appearing hereon. Upon such transfer, a new Bond or Bonds of the same Maturity Date representing the same principal amount will be issued to the transferee in exchange herefor.

The City is obligated under the Installment Sale Agreement to pay the Installment Payments from Net Revenues (as such term is defined in the Trust Agreement) and any Parity Debt issued or incurred within the meaning of the Trust Agreement.

The obligation of the City to pay the Installment Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Installment Payments does not constitute a debt of the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The Bond is subject to optional prepayment in whole, or in part among maturities in any manner as directed by the City and by lot within a maturity, on any Business Day, from prepayments of the Installment Payments made at the option of the City pursuant to the Installment Sale Agreement, at a prepayment price equal to the aggregate principal components of the Installment Payments to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium.

The Bond is subject to mandatory prepayment on any date, in whole, or in part, from unexpended proceeds of the Construction Fund established under this Trust Agreement and from the net proceeds of insurance or eminent domain proceedings, in either case deposited with the Trust Administrator, which are credited towards the prepayment of the Installment Payments pursuant to the Installment Sale Agreement, at a prepayment price equal to one hundred percent (100%) of the principal amount to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium.

As provided in this Trust Agreement, notice of prepayment shall be mailed by the Trust Administrator by first class mail, postage prepaid, not less than thirty (30) nor more than sixty (60) days before the prepayment date, to the Registered Owner of the Bond, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for prepayment or the cessation of accrual of interest represented thereby. If this Bond is called for prepayment and payment is duly provided herefor as specified in this Trust Agreement, interest represented hereby shall cease to accrue from and after the date fixed for prepayment.

The City has designated its obligations under the Installment Sale Agreement represented by this Bond to be a “qualified tax-exempt obligation” under Section 265(b)(3) of the Internal Revenue Code of 1986.

This Bond is transferable by the Registered Owner hereof, in person or by his or her attorney duly authorized in writing, at the Trust Office of the Trust Administrator, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in this Trust Agreement and upon surrender and cancellation of this Bond.

Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, representing the same aggregate principal amount and representing the same rate of interest and maturity date, will be delivered to the transferee in exchange herefor. The City, the Agency and the Trust Administrator may treat the Registered Owner hereof as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and the City, the Agency and the Trust Administrator shall not be affected by any notice to the contrary.

To the extent and in the manner permitted by the terms of this Trust Agreement, the provisions of this Trust Agreement may be amended by the parties thereto with the written consent of the owners of a majority in aggregate principal amount of the Bonds then outstanding, and may be amended without such consent under certain circumstances; provided that no such amendment shall extend the fixed maturity of any Bond or reduce the interest or principal represented thereby, without the express consent of the owner of such Bond.

The Trust Administrator has no obligation or liability to the registered owners of the Bonds to make payments of principal, or interest with respect to the Bonds except from amounts on deposit for such purposes with the Trust Administrator. The Trust Administrator’s sole obligations are to administer for the benefit of the registered owners of the Bonds the various funds and accounts established under this Trust Agreement and to perform the other duties expressly imposed upon it under this Trust Agreement.

The City has certified, recited and declared that all things, conditions and acts required by the laws of the State of California, the Installment Sale Agreement and this Trust Agreement to exist, to have happened and to have been performed precedent to and in the delivery of the Bonds, do exist, have happened and have been performed in due time, form and manner as required by law.

This Bond is given as evidence of a loan to the City made by the United States of America, acting through Rural Utilities Service, United States Department of Agriculture, pursuant to the Consolidated Farm and Rural Development Act, and shall be subject to the present regulations of the Rural Utilities Service or any successor agency thereto and to its future regulations not inconsistent with the express provisions hereof.

IN WITNESS WHEREOF, this Bond has been authenticate, executed and delivered by the Trust Administrator, acting pursuant to this Trust Agreement.

AUTHENTICATED, EXECUTED AND DELIVERED, as of the Dated Date first written above.

TRUST ADMINISTRATOR

By: _____
Finance Director,
City of Lakeport

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face hereof, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common

UNIF GIFT MIN ACT ____ Custodian

TEN ENT -- as tenants by the
Entireties

(Cust) ____ (Minor) ____
under Uniform Gifts to Minors

JT TEN -- as joint tenants with
____ right of survivorship
____ and not as tenants in
____ common

Act ____
(State)

ADDITIONAL ABBREVIATIONS MAY ALSO BE USED
THOUGH NOT IN THE LIST ABOVE

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within registered Bond and hereby irrevocably constitute(s) and appoint(s) _____
_____ attorney, to transfer the same on the Bond Register of the Trust Administrator
with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

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

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.

Certificate of Advances of Payment from United States of America, acting through Rural Utilities Service,
United States Department of Agriculture

The following advances have been paid to and received by the City in the amount and on the date(s) set forth below, as evidenced by the Trust Administrator's signature set forth below, as evidenced by said Trust Administrator's signature set forth opposite "Date of Advance" and "Amount of Advance."

<u>Date of Advance</u>	<u>Amount of Advance</u>	<u>Signature of the Trust Administrator</u>
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____

Total principal sum of the within Bond as advanced as of _____, 20__ is \$_____.

Record of Prepayment in Advance of Maturity
of Bonds Represented by this Certificate

The Record of prepayment in advance of maturity on the registered Bond shall be substantially as follows:

<u>Amount</u>	<u>Date</u>
_____	_____
_____	_____
_____	_____
_____	_____

EXHIBIT B

**§ _____
CITY OF LAKEPORT
(LAKE COUNTY, CALIFORNIA)
SERIES 2016 WATER ENTERPRISE REVENUE BONDS
(WATER SYSTEM IMPROVEMENT PROJECT)
BANK QUALIFIED**

**WRITTEN REQUISITION NO. __ FOR
DISBURSEMENT FROM CONSTRUCTION FUND**

The undersigned hereby states and certifies that:

1. the undersigned is the duly appointed, qualified and acting City Manager of the City of Lakeport, a general law city and public agency duly organized and validly existing under the laws of the State of California (the "City"), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;
2. the undersigned is a duly designated "City Representative", as such term is defined in that certain Trust Agreement, dated as of May 1, 2016 (the "Trust Agreement"), by and among the Finance Director of the City of Lakeport, as trust administrator (the "Trust Administrator"), the Municipal Financing Agency of Lakeport (the "Agency"), and the City;
3. under Section 3.02 of this Trust Agreement, the Trust Administrator is hereby requested to disburse this date, from the Construction Fund established under this Trust Agreement, to the payees set forth on Attachment I attached hereto and by this reference incorporated herein, at the addresses identified thereon, the amount set forth opposite such payee for payment of Construction Costs;
4. the amounts to be disbursed constitute Construction Costs, that said amounts are required to be disbursed pursuant to a contract entered into therefor by or on behalf of the Agency or the City, or were necessarily and reasonably incurred, and that said amounts are not being paid in advance of the time, if any, fixed for payment;
5. no amount set forth in this requisition was included in any requisition requesting disbursement previously filed with the Trust Administrator pursuant to Section 3.02 of this Trust Agreement;
6. insofar as such requisition relates to payment for work, materials, equipment or supplies, such work was actually performed, or such materials, equipment or supplies were actually installed in furtherance of the construction of the Project or delivered to the appropriate site for such purpose, or delivered for storage or fabrication at a place approved by the City; and

7. if such requisition relates to payment to a contractor, that no liens have been imposed on the Project as a result of said construction except liens that have not yet ripened or that would attach by operation of law; and

8. any capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in this Trust Agreement.

Dated: _____, 201_

CITY OF LAKEPORT

By: _____

Title: _____

As Acknowledged by:
United States of America,
*acting through Rural Utilities Service, United
States Department of Agriculture*

By _____
Authorized Officer

ATTACHMENT 5

ATTACHMENT I

Payee Name and Address

Purpose of Obligation

Amount

ASSIGNMENT AGREEMENT

Dated as of May 1, 2016

by and between the

**MUNICIPAL FINANCING AGENCY OF LAKEPORT,
as Assignor**

and the

**FINANCE DIRECTOR OF THE CITY OF LAKEPORT,
as Trust Administrator**

Relating to

**\$ _____
MUNICIPAL FINANCING AGENCY OF LAKEPORT
(City of Lakeport, California)
SERIES 2016 WATER ENTERPRISE REVENUE BONDS
(Water System Improvement Project)
BANK QUALIFIED**

ASSIGNMENT AGREEMENT

This ASSIGNMENT AGREEMENT, made and entered into as of May 1, 2016, by and between the MUNICIPAL FINANCING AGENCY OF LAKEPORT, a California joint powers authority duly organized and existing pursuant to the laws of the State of California, as assignor (the “Agency”), and the FINANCE DIRECTOR OF THE CITY OF LAKEPORT, as trust administrator (the “Trust Administrator”) under the hereinafter-defined Trust Agreement;

WITNESSETH:

WHEREAS, the Agency and the City of Lakeport (the “City”), have entered into an installment sale agreement, by and between the Agency and the City, dated as of May 1, 2016 (together with any amendments or supplements thereto, the “Installment Sale Agreement”), whereby the Agency has agreed to sell to the City, and the City has agreed to purchase from the Agency, certain improvements to the City’s Water System, as more particularly described in the Installment Sale Agreement (as amended or modified from time to time, the “Project”), in the manner and on the terms set forth in the Installment Sale Agreement; and

WHEREAS, under the Installment Sale Agreement, the Agency is required to deposit or cause to be deposited with the Trust Administrator certain moneys to be credited, held and applied in accordance with a trust agreement by and among the Trust Administrator, the Agency and the City, dated as of May 1, 2016, together with any amendments or supplements thereto (the “Trust Agreement”); and

WHEREAS, upon delivery of the Installment Sale Agreement and the deposit of moneys by the Agency with respect thereto, the City is obligated to pay certain installment payments to the Agency or its assignee. For the purpose of obtaining the moneys required to be deposited with the Trust Administrator, the Agency is willing to assign and transfer its right, title and interest under the Installment Sale Agreement to the Trust Administrator for the benefit of the owners of the water enterprise revenue bonds (the “Bonds”) to be executed and delivered under the Trust Agreement, and in consideration of such assignment, the Trust Administrator is executing and delivering the Bonds to the Government as the purchaser thereof, the proceeds of which sale are anticipated by the Agency to be sufficient to provide the moneys required to be deposited by the Agency pursuant to the Installment Sale Agreement; and

WHEREAS, each of the parties hereto has authority to enter into this Assignment Agreement and has taken all actions necessary to authorize its officers to enter into it; and

WHEREAS, the capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

Section 1. Assignment. The Agency, for good and valuable consideration, does hereby irrevocably assign and transfer to the Trust Administrator, for the benefit of the Owners of the Bonds, all of its rights and interest in the Installment Sale Agreement (excepting only its rights under Sections 5.08, 6.03 and 7.04 thereof), including, without limitation, its rights to receive and collect Installment Payments from

the City under the Installment Sale Agreement, its rights to the pledge of Net Revenues, the right to receive and collect any proceeds of any insurance maintained thereunder, or of any condemnation award rendered with respect to the Project and the right to exercise such rights and remedies as are conferred on the Agency by the Installment Sale Agreement as may be necessary to enforce payment of the Installment Payments when due or otherwise to protect its interests in the event of a default by the City. The Installment Payments shall be applied, and the rights so assigned shall be exercised, by the Trust Administrator as provided in the Trust Agreement for the benefit of the Owners of the Bonds.

Section 2. Acceptance. The Trust Administrator hereby accepts such assignment in trust for the purpose of securing, equally and proportionately, such payments and rights to the Owners of the Bonds delivered pursuant to the Trust Agreement, all subject to the provisions of the Trust Agreement.

Section 3. Conditions. This Assignment Agreement shall confer no rights and impose no duties upon the Trust Administrator beyond those expressly provided in the Trust Agreement.

* * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Assignment Agreement by their officers thereunto duly authorized as of the date in the first paragraph above.

MUNICIPAL FINANCING AGENCY
OF LAKEPORT,
as Assignor

By: _____
Executive Director

FINANCE DIRECTOR OF
THE CITY OF LAKEPORT,
as Trust Administrator

By: _____
Finance Director

**Water and Waste System Grant Agreement
United States Department of Agriculture
Rural Utilities Service**

THIS AGREEMENT dated _____, 2016, between

CITY OF LAKEPORT

a public corporation organized and operating under

LAWS OF THE STATE OF CALIFORNIA

(Authorizing Statute)

herein called "Grantee," and the United States of America acting through the Rural Utilities Service, Department of Agriculture, herein called "Grantor," WITNESSETH:

WHEREAS

Grantee has determined to undertake a project of acquisition, construction, enlargement, or capital improvement of a (water) (waste) system to serve the area under its jurisdiction at an estimated cost of \$ _____ and has duly authorized the undertaking of such project.

Grantee is able to finance not more than \$ _____ of the development costs through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge.

Said sum of \$ _____ has been committed to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed \$ _____ or _____ percent of said project development costs, whichever is the lesser, subject to the terms and conditions established by the Grantor. Provided, however, that the proportionate share of any grant funds actually advanced and not needed for grant purposes shall be returned immediately to the Grantor. The Grantor may terminate the grant in whole, or in part, at any time before the date of completion, whenever it is determined that the Grantee has failed to comply with the Conditions of the grant.

As a condition of this grant agreement, the Grantee assures and certifies that it is in compliance with and will comply in the course of the agreement with all applicable laws, regulations, Executive orders and other generally applicable requirements, including those set out in 7 CFR 3015.205(b), which hereby are incorporated into this agreement by reference, and such other statutory provisions as are specifically set forth herein.

NOW, THEREFORE, In consideration of said grant by Grantor to Grantee, to be made pursuant to Section 306(a) of The Consolidated Farm and Rural Development Act for the purpose only of defraying a part not to exceed _____ percent of the project development costs, as defined by applicable Rural Utilities Service instructions.

Grantee Agrees That Grantee Will:

A. Cause said project to be constructed within the total sums available to it, including said grant, in accordance with the project plans and specifications and any modifications thereof prepared by Grantee and approved by Grantor.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0121. The time required to complete this information collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

B. Permit periodic inspection of the construction by a representative of Grantor during construction.

C. Manage, operate and maintain the system, including this project if less than the whole of said system, continuously in an efficient and economical manner.

D. Make the services of said system available within its capacity to all persons in Grantee's service area without discrimination as to race, color, religion, sex, national origin, age, marital status, or physical or mental handicap (possess capacity to enter into legal contract for services) at reasonable charges, including assessments, taxes, or fees in accordance with a schedule of such charges, whether for one or more classes of service, adopted by resolution dated _____, _____, as may be modified from time to time by Grantee. The initial rate schedule must be approved by Grantor. Thereafter, Grantee may make such modifications to the rate system as long as the rate schedule remains reasonable and nondiscriminatory.

E. Adjust its operating costs and service charges from time to time to provide for adequate operation and maintenance, emergency repair reserves, obsolescence reserves, debt service and debt service reserves.

F. Expand its system from time to time to meet reasonably anticipated growth or service requirements in the area within its jurisdiction.

G. Provide Grantor with such periodic reports as it may require and permit periodic inspection of its operations by a representative of the Grantor.

H. To execute any agreements required by Grantor which Grantee is legally authorized to execute. If any such agreement has been executed by Grantee as a result of a loan being made to Grantee by Grantor contemporaneously with the making of this grant, another agreement of the same type need not be executed in connection with this grant.

I. Upon any default under its representations or agreements set forth in this instrument, Grantee, at the option and demand of Grantor, will repay to Grantor forthwith the original principal amount of the grant stated herein above with the interest at the rate of 5 percentum per annum from the date of the default. Default by the Grantee will constitute termination of the grant thereby causing cancellation of Federal assistance under the grant. The provisions of this Grant Agreement may be enforced by Grantor, at its option and without regard to prior waivers by it previous defaults of Grantee, by judicial proceedings to require specific performance of the terms of this Grant Agreement or by such other proceedings in law or equity, in either Federal or State courts, as may be deemed necessary by Grantor to assure compliance with the provisions of this Grant Agreement and the laws and regulations under which this grant is made.

J. Return immediately to Grantor, as required by the regulations of Grantor, any grant funds actually advanced and not needed by Grantee for approved purposes.

K. Use the real property including land, land improvements, structures, and appurtenances thereto, for authorized purposes of the grant as long as needed.

1. Title to real property shall vest in the recipient subject to the condition that the Grantee shall use the real property for the authorized purpose of the original grant as long as needed.

2. The Grantee shall obtain approval by the Grantor agency for the use of the real property in other projects when the Grantee determines that the property is no longer needed for the original grant purposes. Use in other projects shall be limited to those under other Federal grant programs or programs that have purposes consistent with those authorized for support by the Grantor.

3. When the real property is no longer needed as provided in 1 and 2 above, the Grantee shall request disposition instructions from the Grantor agency or its successor Federal agency. The Grantor agency shall observe the following rules in the disposition instructions:

(a) The Grantee may be permitted to retain title after it compensates the Federal Government in an amount computed by applying the Federal percentage of participation in the cost of the original project to the fair market value of the property.

(b) The Grantee may be directed to sell the property under guidelines provided by the Grantor agency. When the Grantee is authorized or required to sell the property, proper sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return.

[Revision 1, 04/17/1998]

(c) The Grantee may be directed to transfer title to the property to the Federal Government provided that in such cases the Grantee shall be entitled to compensation computed by applying the Grantee's percentage of participation in the cost of the program or project to the current fair market value of the property.

This Grant Agreement covers the following described real property (use continuation sheets as necessary).

L. Abide by the following conditions pertaining to equipment which is furnished by the Grantor or acquired wholly or in part with grant funds. Equipment means tangible, non-expendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. A grantee may use its own definition of equipment provided that such definition would at least include all equipment defined above.

[Revision 1, 04/17/1998]

1. Use of equipment.

(a) The Grantee shall use the equipment in the project for which it was acquired as long as needed. When no longer needed for the original project, the Grantee shall use the equipment in connection with its other Federally sponsored activities, if any, in the following order of priority:

(1) Activities sponsored by the Grantor.

(2) Activities sponsored by other Federal agencies.

(b) During the time that equipment is held for use on the property for which it was acquired, the Grantee shall make it available for use on other projects if such other use will not interfere with the work on the project for which the equipment was originally acquired. First preference for such other use shall be given to Grantor sponsored projects. Second preference will be given to other Federally sponsored projects.

2. Disposition of equipment. When the Grantee no longer needs the equipment as provided in paragraph (a) above, the equipment may be used for other activities in accordance with the following standards:

(a) Equipment with a current per unit fair market value of less than \$5,000. The Grantee may use the equipment for other activities without reimbursement to the Federal Government or sell the equipment and retain the proceeds.

(b) Equipment with a current per unit fair market value of \$5,000 or more. The Grantee may retain the equipment for other uses provided that compensation is made to the original Grantor agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value or proceeds from sale of the equipment. If the Grantee has no need for the equipment and the equipment has further use value, the Grantee shall request disposition instructions from the original Grantor agency.

The Grantor agency shall determine whether the equipment can be used to meet the agency's requirements. If no requirement exists within that agency, the availability of the equipment shall be reported, in accordance with the guidelines of the Federal Property Management Regulations (FPMR), to the General Services Administration by the Grantor agency to determine whether a requirement for the equipment exists in other Federal agencies. The Grantor agency shall issue instructions to the Grantee no later than 120 days after the Grantee requests and the following procedures shall govern:

(1) If so instructed or if disposition instructions are not issued within 120 calendar days after the Grantee's request, the Grantee shall sell the equipment and reimburse the Grantor agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the Grantee shall be permitted to deduct and retain from the Federal share ten percent of the proceeds for Grantee's selling and handling expenses.

(2) If the Grantee is instructed to ship the equipment elsewhere the Grantee shall be reimbursed by the benefiting Federal agency with an amount which is computed by applying the percentage of the Grantee participation in the cost of the original grant project or program to the current fair market value of the equipment, plus any reasonable shipping or interim storage costs incurred.

(3) If the Grantee is instructed to otherwise dispose of the equipment, the Grantee shall be reimbursed by the Grantor agency for such costs incurred in its disposition.

3. The Grantee's property management standards for equipment shall also include:

(a) Records which accurately provide for: a description of the equipment; manufacturer's serial number or other identification number; acquisition date and cost; source of the equipment; percentage (at the end of budget year) of Federal participation in the cost of the project for which the equipment was acquired; location, use and condition of the equipment and the date the information was reported; and ultimate disposition data including sales price or the method used to determine current fair market value if the Grantee reimburses the Grantor for its share.

(b) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years to verify the existence, current utilization, and continued need for the equipment.

(c) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented.

(d) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

(e) Proper sales procedures shall be established for unneeded equipment which would provide for competition to the extent practicable and result in the highest possible return.

This Grant Agreement covers the following described equipment(use continuation sheets as necessary).

M. Provide Financial Management Systems which will include:

1. Accurate, current, and complete disclosure of the financial results of each grant. Financial reporting will be on an accrual basis.
2. Records which identify adequately the source and application of funds for grant-supported activities. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.
3. Effective control over and accountability for all funds, property and other assets. Grantees shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.
4. Accounting records supported by source documentation.

N. Retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least three years after grant closing except that the records shall be retained beyond the three-year period if audit findings have not been resolved. Microfilm or photo copies or similar methods may be substituted in lieu of original records. The Grantor and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the Grantee's government which are pertinent to the specific grant program for the purpose of making audits, examinations, excerpts and transcripts.

O. Provide information as requested by the Grantor to determine the need for and complete any necessary Environmental Impact Statements.

P. Provide an audit report prepared in accordance with Grantor regulations to allow the Grantor to determine that funds have been used in compliance with the proposal, any applicable laws and regulations and this Agreement.

Q. Agree to account for and to return to Grantor interest earned on grant funds pending their disbursement for program purposes when the Grantee is a unit of local government. States and agencies or instrumentality's of states shall not be held accountable for interest earned on grant funds pending their disbursement.

R. Not encumber, transfer or dispose of the property or any part thereof, furnished by the Grantor or acquired wholly or in part with Grantor funds without the written consent of the Grantor except as provided in item K above.

S. To include in all contracts for construction or repair a provision for compliance with the Copeland "Anti-Kick Back" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR, Part 3). The Grantee shall report all suspected or reported violations to the Grantor.

T. To include in all contracts in excess of \$100,000 a provision that the contractor agrees to comply with all the requirements of the Clean Air Act (42 U.S.C. §7414) and Section 308 of the Water Pollution Control Act (33 U.S.C. §1318) relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in Section 114 of the Clean Air Act and Section 308 of the Water Pollution Control Act and all regulations and guidelines issued thereunder after the award of the contract. In so doing the Contractor further agrees:

[Revision 1, 11/20/1997]

1. As a condition for the award of contract, to notify the Owner of the receipt of any communication from the Environmental Protection Agency (EPA) indicating that a facility to be utilized in the performance of the contract is under consideration to be listed on the EPA list of Violating Facilities. Prompt notification is required prior to contract award.

2. To certify that any facility to be utilized in the performance of any nonexempt contractor subcontract is not listed on the EPA list of Violating Facilities pursuant to 40 CFR Part 32 as of the date of contract award.

[Revision 1, 11/20/1997]

3. To include or cause to be included the above criteria and the requirements in every nonexempt subcontract and that the Contractor will take such action as the Government may direct as a means of enforcing such provisions.

As used in these paragraphs the term "facility" means any building, plan, installation, structure, mine, vessel or other floating craft, location, or site of operations, owned, leased, or supervised by a Grantee, cooperator, contractor, or subcontractor, to be utilized in the performance of a grant, agreement, contract, subgrant, or subcontract. Where a location or site of operation contains or includes more than one building, plant, installation, or structure, the entire location shall be deemed to be a facility except where the Director, Office of Federal Activities, Environmental Protection Agency, determines that independent facilities are co-located in one geographical area.

Grantor Agrees That It:

A. Will make available to Grantee for the purpose of this Agreement not to exceed \$ _____ which it will advance to Grantee to meet not to exceed _____ percent of the project development costs of the project in accordance with the actual needs of Grantee as determined by Grantor.

B. Will assist Grantee, within available appropriations, with such technical assistance as Grantor deems appropriate in planning the project and coordinating the plan with local official comprehensive plans for sewer and water and with any State or area plans for the area in which the project is located.

C. At its sole discretion and at any time may give any consent, deferment, subordination, release, satisfaction, or termination of any or all of Grantee's grant obligations, with or without valuable consideration, upon such terms and conditions as Grantor may determine to be (1) advisable to further the purpose of the grant or to protect Grantor's financial interest therein and (2) consistent with both the statutory purposes of the grant and the limitations of the statutory authority under which it is made.

Termination of This Agreement

This Agreement may be terminated for cause in the event of default on the part of the Grantee as provided in paragraph I above or for convenience of the Grantor and Grantee prior to the date of completion of the grant purpose. Termination for convenience will occur when both the Grantee and Grantor agree that the continuation of the project will not produce beneficial results commensurate with the further expenditure of funds.

In witness whereof Grantee on the date first above written has caused these presence to be executed by its duly authorized

attested and its corporate seal affixed by its duly authorized

Attest:

By _____

(Title) _____

By _____

(Title) _____

UNITED STATES OF AMERICA

RURAL UTILITIES SERVICE

By _____

(Title)

UNITED STATES DEPARTMENT OF AGRICULTURE

RURAL DEVELOPMENT

RURAL UTILITY SERVICE

OFFER

Subject to the Bond Specifications attached hereto as Exhibit A, the General Conditions attached hereto as Exhibit B, the Special Conditions attached hereto as Exhibit C, and the adoption of Form RD 1780-27, "Loan Resolution," the United States of America, hereinafter referred to as "the Government", hereby offers to make a loan in the sum of \$_____ to the Municipal Financing Agency of Lakeport, in Lake County, in the state of California (hereinafter called "Agency") in order to aid in the construction of the new Water Facilities Project.

The loan herein provided for shall be made by purchase at par value of the Bonds in the sum of \$_____ and bearing interest at the rate of 2.____% per annum. In the event any other bidder offers to purchase any of the issue at a net interest rate of not more than 2.____% per annum, that portion of the issue will not be purchased by the Government, and it will purchase the balance of said issue. In such event, it is understood that the obligations of the Agency set forth in the Installment Sale Agreement and Trust Agreement would apply as fully and to the same extent as if the entire issue were sold to the Government. In the event that no bid is received from any bidders within the terms herein specified, the entire issue will be purchased by the Government, subject to the conditions aforesaid.

Upon acceptance, this offer, together with all of the Exhibits attached hereto and Form RD 1780-27, "Loan Resolution," shall become the Agreement.

This offer must be accepted within 60 days from the date hereof.

Dated this __th day of _____, 2016.

UNITED STATES OF AMERICA

by: _____
Acting Community Programs Director
USDA Rural Development
for the Rural Utility Service

EXHIBIT A**FORM OF REVENUE BOND**

No. R-1

\$_____.00

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA****MUNICIPAL FINANCING AGENCY OF LAKEPORT
(City of Lakeport, California)
SERIES 2016 WATER ENTERPRISE REVENUE BONDS
(Water System Improvement Project)
BANK QUALIFIED**

INTEREST PAYMENT DATES	RATE OF INTEREST	DATED DATE
_____ 1 and _____ 1 as described below	_____%	May __, 2016

REGISTERED OWNER: UNITED STATES OF AMERICA, ACTING THROUGH RURAL UTILITIES SERVICE, UNITED STATES DEPARTMENT OF AGRICULTURE

PRINCIPAL AMOUNT: _____ MILLION _____ THOUSAND DOLLARS

THIS IS TO CERTIFY THAT the Registered Owner identified above, or registered assigns, as the registered owner (the "Registered Owner") of this Series 2016 Water Enterprise Revenue Bond (the "Bond") is the owner of a direct, undivided fractional interest in installment payments (the "Installment Payments") payable under the Installment Sale Agreement dated as of May 1, 2016 (the "Installment Sale Agreement") by and between the MUNICIPAL FINANCING AGENCY OF LAKEPORT, a California joint powers authority duly organized and existing pursuant to the laws of the State of California (the "Agency"), and the CITY OF LAKEPORT (the "City"), a general law city and public agency duly organized and validly existing under the laws of the State of California. The Installment Payments and certain other rights and interests under the Installment Sale Agreement have been assigned to the Finance Director of the City, as trust administrator (the "Trust Administrator"), having an office in the location described in the Trust Agreement referred to below.

The Registered Owner of this Bond is entitled to receive, subject to the terms of the Installment Sale Agreement, on the Maturity Dates identified below, or any earlier prepayment date, the Principal Amounts identified below representing a direct, undivided fractional share of the portion of the Installment Payments designated as principal as follows:

and to receive on _____ 1, 2016, and semiannually thereafter on _____ 1 and _____ 1 of each year (each an "Interest Payment Date") until payment in full of said principal the Registered Owner's direct, undivided fractional share of the Installment Payments designated as interest coming due during the interest period immediately preceding each of the Interest Payment Dates. Interest represented hereby shall be payable at the above stated Rate of Interest from the Dated Date identified above. The Registered Owner's share of the portion of the Installment Payments designated as interest is the result of the multiplication of the share of the portion of the Installment Payments designated as principal as shown and endorsed on the attached Certificate of Advances of Payment from the United States of America, by the Rate of Interest per annum identified above, calculated on the basis of a 365-day year.

Principal represented hereby is payable in lawful money of the United States of America upon surrender hereof at the Office of the Trust Administrator, and interest represented hereby is payable by check or draft mailed by first class mail by the Trust Administrator on each Interest Payment Date to the Registered Owner at such Owner's address as it appears on the bond register of the Trust Administrator as of the preceding Record Date; provided, however, that so long as the United States of America remains the Registered Owner of the Bonds, payment of principal shall be made on each Principal Payment Date and payment of interest shall be made on each Payment Date to the Registered Owner, unless otherwise requested by the Registered Owner, by the Pre-Authorized Debit (PAD) payment process (i.e., the City's payments shall be electronically debited from the Installment Payment Fund on each Interest Payment Date in accordance with the PAD process established by Form SF-5510 and Form RD 3550-28, both entitled "Authorization Agreement for Pre-Authorized Payments").

This Bond has been executed and delivered by the Trust Administrator pursuant to the terms of a Trust Agreement by and among the Trust Administrator, the Agency and the City, dated as of May 1, 2016 (the "Trust Agreement"). The City has certified that it is authorized to enter into the Installment Sale Agreement and this Trust Agreement under the laws of the State of California, for the purpose of paying the costs of certain public capital improvements.

Reference is hereby made to the Installment Sale Agreement and the Trust Agreement (copies of which are on file at the Office of the Trust Administrator) for a description of the terms on which the Bonds are delivered, the rights thereunder of the owners of the Bonds, the rights, duties and immunities of the Trust Administrator and the rights and obligations of the City under the Installment Sale Agreement, to all of the provisions of the Installment Sale Agreement and the Trust Agreement the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

This single Bond is issued by the City and represents the \$_____ Series 2016 Water Enterprise Revenue Bonds (Water System Improvement Project), all of like, date, tenor and effect, but differing in amounts and maturities, authorized to be executed and delivered pursuant to the Trust Agreement.

This Bond is transferable only to a Qualified Institutional Buyer (as such term is defined by Rule 144A of the Securities Act of 1933) or other persons with the consent of the City and the Agency, by the Registered Owner thereof in person or by his attorney duly authorized in writing, at the Trust Office, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement, and upon surrender of this Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer in the form appearing hereon. Upon such transfer, a new Bond or Bonds of the same Maturity Date representing the same principal amount will be issued to the transferee in exchange herefor.

The City is obligated under the Installment Sale Agreement to pay the Installment Payments from Net Revenues (as such term is defined in the Installment Sale Agreement) and any Parity Debt issued or incurred within the meaning of the Installment Sale Agreement.

The obligation of the City to pay the Installment Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Installment Payments does not constitute a debt of the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The Bond is subject to optional prepayment in whole, or in part among maturities in any manner as directed by the City and by lot within a maturity, on any Business Day, from prepayments of the Installment Payments made at the option of the City pursuant to the Installment Sale Agreement, at a prepayment price equal to the aggregate principal components of the Installment Payments to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium.

The Bond is subject to mandatory prepayment on any date, in whole, or in part, from unexpended proceeds of the Construction Fund established under this Trust Agreement and from the net proceeds of insurance or eminent domain proceedings, in either case deposited with the Trust Administrator, which are credited towards the prepayment of the Installment Payments pursuant to the Installment Sale Agreement, at a prepayment price equal to one hundred percent (100%) of the principal amount to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium.

As provided in this Trust Agreement, notice of prepayment shall be mailed by the Trust Administrator by first class mail, postage prepaid, not less than thirty (30) nor more than sixty (60) days before the prepayment date, to the Registered Owner of the Bond, but neither failure to receive such notice

nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for prepayment or the cessation of accrual of interest represented thereby. If this Bond is called for prepayment and payment is duly provided herefor as specified in this Trust Agreement, interest represented hereby shall cease to accrue from and after the date fixed for prepayment.

The City has designated its obligations under the Installment Sale Agreement represented by this Bond to be a "qualified tax-exempt obligation" under Section 265(b)(3) of the Internal Revenue Code of 1986.

This Bond is transferable by the Registered Owner hereof, in person or by his or her attorney duly authorized in writing, at the Trust Office of the Trust Administrator, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in this Trust Agreement and upon surrender and cancellation of this Bond.

Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, representing the same aggregate principal amount and representing the same rate of interest and maturity date, will be delivered to the transferee in exchange herefor. The City, the Agency and the Trust Administrator may treat the Registered Owner hereof as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and the City, the Agency and the Trust Administrator shall not be affected by any notice to the contrary.

To the extent and in the manner permitted by the terms of this Trust Agreement, the provisions of this Trust Agreement may be amended by the parties thereto with the written consent of the owners of a majority in aggregate principal amount of the Bonds then outstanding, and may be amended without such consent under certain circumstances; provided that no such amendment shall extend the fixed maturity of any Bond or reduce the interest or principal represented thereby, without the express consent of the owner of such Bond.

The Trust Administrator has no obligation or liability to the registered owners of the Bonds to make payments of principal, or interest with respect to the Bonds except from amounts on deposit for such purposes with the Trust Administrator. The Trust Administrator's sole obligations are to administer for the benefit of the registered owners of the Bonds the various funds and accounts established under this Trust Agreement and to perform the other duties expressly imposed upon it under this Trust Agreement.

The City has certified, recited and declared that all things, conditions and acts required by the laws of the State of California, the Installment Sale Agreement and this Trust Agreement to exist, to have happened and to have been performed precedent to and in the delivery of the Bonds, do exist, have happened and have been performed in due time, form and manner as required by law.

This Bond is given as evidence of a loan to the City made by the United States of America, acting through Rural Utilities Service, United States Department of Agriculture, pursuant to the Consolidated Farm and Rural Development Act, and shall be subject to the present regulations of the Rural Utilities Service or any successor agency thereto and to its future regulations not inconsistent with the express provisions hereof.

IN WITNESS WHEREOF, this Bond has been authenticate, executed and delivered by the Trust Administrator, acting pursuant to this Trust Agreement.

AUTHENTICATED, EXECUTED AND DELIVERED, as of the Dated Date first written above.

TRUST ADMINISTRATOR

By: _____
Finance Director,
City of Lakeport

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face hereof, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common

UNIF GIFT MIN ACT ____ Custodian

TEN ENT -- as tenants by the
Entireties

(Cust) ____ (Minor) ____
under Uniform Gifts to Minors

JT TEN -- as joint tenants with
____ right of survivorship
____ and not as tenants in
____ common

Act ____
(State)

ADDITIONAL ABBREVIATIONS MAY ALSO BE USED
THOUGH NOT IN THE LIST ABOVE

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within registered Bond and hereby irrevocably constitute(s) and appoint(s) _____

attorney, to transfer the same on the Bond Register of the Trust Administrator
with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

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

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.

ATTACHMENT 8

Certificate of Advances of Payment from United States of America, acting through Rural Utilities Service,
United States Department of Agriculture

The following advances have been paid to and received by the City in the amount and on the date(s) set forth below, as evidenced by the Trust Administrator's signature set forth below, as evidenced by said Trust Administrator's signature set forth opposite "Date of Advance" and "Amount of Advance."

<u>Date of Advance</u>	<u>Amount of Advance</u>	<u>Signature of the Trust Administrator</u>
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
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_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____

Total principal sum of the within Bond as advanced as of _____, 20__ is
\$_____.

Record of Prepayment in Advance of Maturity
of Bonds Represented by this Certificate

The Record of prepayment in advance of maturity on the registered Bond shall be substantially as follows:

<u>Amount</u>	<u>Date</u>
_____	_____
_____	_____
_____	_____
_____	_____

EXHIBIT B

**Municipal Financing Agency of Lakeport
Series 2016 Water Enterprise Revenue Bond**

GENERAL CONDITIONS

(To Come)

EXHIBIT C

Municipal Financing Agency of Lakeport

Series 2016 Water Enterprise Revenue Bond

SPECIAL CONDITIONS

(To Come)



CITY OF LAKEPORT

City Council ☒
City of Lakeport Municipal Sewer District ☐
Lakeport Redevelopment Successor Agency ☐
Lakeport Industrial Development Agency ☐
Municipal Financing Agency of Lakeport ☐

STAFF REPORT

RE: Consultant Selection, Public Opinion and Research for a Possible Revenue Ballot Measure

MEETING DATE: 4/19/2016

SUBMITTED BY: Margaret Silveira, City Manager; Daniel Buffalo, Finance Director

PURPOSE OF REPORT: ☐ Information only ☐ Discussion ☒ Action Item

WHAT IS BEING ASKED OF THE CITY COUNCIL/BOARD:

The City Council is being asked to select a consultant to perform public opinion and research on a possible revenue ballot measure for November, 2016.

BACKGROUND/DISCUSSION:

As reported to the Council at its regular meeting on April 5, 2016, staff recommended a potential work plan to explore the possibility of a revenue ballot measure in November, 2016. The first phase of the plan is a feasibility assessment, involving the collection of data, public opinion polling and feedback, and analysis of that information to determine if such a measure would be supported by the community and in line with what the citizens of Lakeport want for their City.

The first step in preparing the feasibility assessment is to hire a qualified public opinion research firm. The results of scientific public opinion research are invaluable in assessing what the community desires.

The public opinion survey will typically reveal four key issues:

1. How does the community feel about the City and the services it delivers today?
2. What programs are most likely to attract voter support?
3. What revenues would voters most likely support?
4. What other factors affect feasibility? Based on the results, is a general or special purpose tax more likely to pass in November 2016?

From the results of this research, the City can evaluate the feasibility of a revenue measure; and, if it is feasible, the results can help guide the community outreach and public education program that will follow.

Per Council direction, an RFP was issued. The City received several responses. Staff reviewed each thoroughly, interviewed two firms via conference call, and desires to present a recommendation to Council here.

OPTIONS:

1. Select a consultant from the list of firms which submitted proposals and direct the City Manager to negotiate final terms and execute an agreement with the selected firm.
2. Reject all proposals and provide direction to staff.

FISCAL IMPACT:

☐ None ☐ \$ Budgeted Item? ☐ Yes ☒ No

Budget Adjustment Needed? ☒ Yes ☐ No If yes, amount of appropriation increase: \$25,000.00

Affected fund(s): ☒ General Fund ☐ Water OM Fund ☐ Sewer OM Fund ☐ Other:

Comments: Management requests appropriations from general fund reserve to finance this project; however, Finance is projecting a budget surplus in the general fund this year in the amount of \$100-\$150K. If that surplus materializes, use of additional reserve will not be required.

SUGGESTED MOTIONS:

Move to select [INSERT FIRM NAME HERE] to provide public opinion research and feasibility assessment related to a possible revenue ballot measure, authorize increased budget appropriations from the general fund reserve in the amount of \$25,000.00, and approve and authorize the City Manager to negotiate final terms with [INSERT FIRM NAME HERE] and execute a professional services agreement with said firm.

☒ **Attachments:** Public Opinion Research and Feasibility Assessment Proposals from the following firms:

1. Fairbank, Maslin, Maullin, Metz & Associates (FM3)
2. JD Franz Research, Inc.
3. Northwest Research Group



CITY OF LAKEPORT

Proposal to Provide Public Opinion Research for the City of Lakeport

*Submitted by
Fairbank, Maslin, Maullin, Metz & Associates (FM3)*

April 13, 2016

Contact:
Dave Metz
Partner

*Fairbank,
Maslin,
Maullin,
Metz &
Associates*

FM3

1999 Harrison St., Suite 2020
Oakland, CA 94612
Phone (510) 451-9521
Fax (510) 451-0384

921-4072

April 13, 2016

Dan Buffalo
Finance Director, City of Lakeport
225 Park St.
Lakeport, CA 95453



Dear Mr. Buffalo:

Fairbank, Maslin, Maullin, Metz & Associates is pleased to submit this proposal to the City of Lakeport in response to your RFP of April 7, 2016, to discuss the voter opinion polling services we can perform on behalf of the City of Lakeport. Working with FM3 affords the City a number of unique advantages for this project—several such examples are outlined below, and they are each described in further detail later in this proposal.

- ✓ **FM3 has conducted four rounds of polling on local and countywide finance measures in Lake County since 2001,** and would welcome the opportunity to apply our local knowledge and experience to help the City better understand the current mood, including needs and perceptions, of its residents. Our past work within Lake County evaluated countywide transportation sales tax measures in 2001, 2003, and 2012, and we recently completed projects in unincorporated Lake County and the City of Clearlake examining the viability of potential sales tax measures on the November 2016 ballot. This portfolio of past research gives FM3 a level of familiarity with, and context for, the local issues and problems that drive public perception in Lake County – and represents an added value that no other research firm could bring to this project.
- ✓ **FM3 is the industry's leading provider of voter opinion research for local government agencies seeking to pass revenue measures throughout California.** Our firm's success rate of over 95 percent since its founding in 1981 – with more than 500 local finance measure campaigns for California agencies and work encompassing every region of the state – speaks for itself. The research we provide for our public agency clients is comprehensive: we assist in drafting the most compelling ballot title and 75-word ballot label possible, and quantitatively identify which unique educational messages and spending priorities will resonate most with your constituents over the course of a public outreach campaign.
- **FM3 uses innovative data-gathering methodologies and techniques, and we have extensive experience conducting survey research within the unique, often-challenging conditions of smaller communities.** Our innovative dual mode (online and telephone) survey research and advanced methodologies enable FM3 to consistently achieve statistically-reliable samples in communities the size of, and similar to the City of Lakeport.
- ✓ **FM3 is a recognized leading provider of research which accurately captures public opinion and facilitates the passage of local finance measures in California's small town and rural communities.** Despite the preponderance of fiscally conservative views in many of California's small town and rural communities, FM3 is routinely successful at assisting our clients within these communities to secure voter approval for local revenue measures. This is achieved by helping our clients understand the specific concerns of their constituents, enabling them to design a local finance measure that addresses the unique services, accountability concerns, and other issues at the forefront of voters' minds.

- ✓ **In addition to FM3's considerable experience facilitating the passage of local revenue measures throughout California, we believe that the City will benefit from our firm's longstanding commitment to personalized client service.** As a medium-sized research firm based in Oakland, California, FM3 provides a level of personal attention from our firm principals that is typical of a much smaller organization while offering the same range of services, expedited timelines and quality control that is common among much larger research firms. FM3's in-house Data Processing and Graphics Departments allow us to meet the inherent demands of even the most heated political campaign, and further, to provide a wider variety of services than would otherwise be possible – such as performing advanced statistical analysis to glean the greatest amount of insight from your data. Every FM3 project is personally led by one of our firm's five Partners, each of whom is a nationally respected authority on public opinion research in their own right. Should FM3 be selected as the vender for this project, I will be honored to serve as Project Manager for the research we conduct for the City.

Our team would be very pleased to work with the City to ensure the success of this vitally important project. We appreciate your time in evaluating our submission, and we thank you very much for your consideration.

Sincerely,



David Metz, President
Fairbank, Maslin, Maullin, Metz & Associates
1999 Harrison Street, Suite 2020
Oakland, CA 94612
Dave@FM3Research.com
(510) 451-9521

QUALIFICATIONS

Relevant Experience

- ✓ **FM3 is the recognized industry leader in conducting research to help California cities pass local ballot measures that provide additional revenue for city services**, including those requiring a two-thirds supermajority vote for passage. FM3 has provided research and consulting services in support of over 500 ballot measure campaigns for cities, counties, school districts, and other local and state service providers. Historically, over 95 percent of local revenue measures placed on the ballot by FM3 clients have been approved by voters. Our firm has developed effective methodologies and strategies for conducting voter research of unsurpassed quality for municipal finance measures.

At the local level, we specialize in developing strategies to pass revenue measures and we have worked in over 120 California cities. Our research identifies the feasibility of a possible ballot measure, the most appropriate tax rate, revenue mechanism (sales tax, utility users' tax, parcel tax, business tax, transient occupancy tax, bond measure, etc.), how voters would prefer to use additional revenue, and how to construct the ballot measure language to maximize support. Our clients represent a diverse cross-section of large and small cities; and urban, suburban and rural communities which include cities in the Bay Area, Northern California, the Central Valley, Inland Empire, Central Coast, and Southern California.

We make it a priority to work closely with each city and local stakeholder to design the research because we know every community is different and requires an approach that addresses its own unique characteristics and needs.

The following 73 California cities have engaged FM3 since 2008 to help successfully pass ballot measures to fund city services and programs (27 cities with measures passed within the last three years since April 2013 are italicized): **Alameda, Arvin, Bellflower, Benicia, Berkeley, Capitola, Carson, Carpinteria, Canyon Lake, Cathedral City, Cloverdale, Coachella, Commerce, Cotati, Culver City, Desert Hot Springs, Dinuba, Galt, Gardena, Gilroy, Glendale, Grover Beach, Healdsburg, Hercules, Huntington Beach, Indio, Inglewood, Kingsburg, Lakewood, La Mesa, La Habra, Lathrop, Larkspur, Los Angeles, Los Banos, Martinez, Monterey, National City, Norwalk, Orinda, Oxnard, Palo Alto, Paramount, Pasadena, Redondo Beach, Reedley, Riverside, Rohnert Park, Sacramento, San Anselmo, San Bernardino, San Francisco, San Jose, San Luis Obispo, Sanger, Santa Ana, Santa Clara, Santa Cruz, Santa Fe Springs, San Juan Capistrano, Santa Monica, Santa Rosa, Seal Beach, Seaside, Selma, South El Monte, South Gate, South Pasadena, Stanton, Stockton, Vallejo and Wildomar.**

Most recently, in the November 2014 elections, FM3's research helped a number of California cities including **Benicia, Berkeley, Canyon Lake, Cloverdale, Grover Beach, Indio, Monterey, National City, Norwalk, Palo Alto, San Francisco, San Luis Obispo, Santa Ana, Seal Beach, and Stanton** pass ballot measures to provide funding for local public services. Our research also facilitated the passage of countywide finance measures in **Fresno and Humboldt** during the November 2014 cycle.

- ✓ **More than a decade and a half of research in Lake County** has provided us significant context to assist with the task at hand. FM3 has conducted four rounds of polling among voters in Lake County since 2001. Our work within Lake County evaluated transportation sales tax measures in 2001, 2003, 2012 and 2016. This portfolio of past research has provided FM3 a level of familiarity with the local issues and problems that drive public perceptions in Lake County, which represents an added value for the City that no other research firm could bring to this project. For example, our research indicates that

voters in Lake County’s unincorporated areas—and those in the City of Clearlake—view jobs and the economy as their most salient issue, followed closely by the quality of streets and roads. The ongoing effects of the Valley Fire—upon road conditions, tourism, and even the time it takes to get a construction permit—are also top-of-mind concerns in these communities.

- ✓ **FM3 has extensive experience polling small electorates.** As the City of Lakeport is a small community with slightly more than 4,700 residents and 2,414 registered voters (of whom FM3 projects 1,896 to be likely participants in the November election), conducting a public opinion survey in Lakeport will present a specific set of challenges for reaching a statistically-reliable sample size that is necessary for the survey results to be generalizable to the broader population.

As the leading provider of public opinion research to California’s municipal governments, FM3 has conducted research in numerous cities similar in size to Lakeport; throughout our decades of work in these communities, our firm has developed unique strategies to ensure that our surveys achieve an adequate sample size even when the pool of registered voters in the relevant jurisdiction is small. These strategies range from the very simple, such as arranging call-back appointments for potential respondents who are willing to take the survey but were unable to do so when initially reached by phone, to the slightly less simple, such as matching registered voters’ names with current landline and cell phone numbers available through consumer records to ensure that residents who have changed their telephone number since registering to vote are able to participate in the survey. The result of deploying all of our strategies together, however, is consistent – FM3 is able to achieve reliable sample sizes in small communities where other research firms simply cannot.

California cities with populations of fewer than 12,000 that have utilized FM3’s research and consulting services to help pass local finance measures in just the last ten years alone include: **Big Bear Lake, Canyon Lake, Capitola** (two measures), **Carpinteria, Cloverdale, Commerce, Cotati** (two measures), **Grover Beach** (three measures), **Healdsburg, Kingsburg, Larkspur, Morro Bay, San Anselmo** and **Santa Fe Springs**. Our firm is also currently providing finance measure research for the cities of **Indian Wells** (pop. 5,165), **Monte Sereno** (pop. 3,341), **Newman** (pop. 10,224) and **St. Helena** (pop. 5,947) for the November 2016 election.

- ✓ **FM3 has a track record of success with local finance measures throughout small town and rural California.** Our firm’s research has helped secure voter approval for local finance measures in small town and rural communities throughout California. Past victories have included measures that established dedicated city sales taxes for road repairs in the Mendocino County cities of **Willits, Point Arena, and Fort Bragg**; dedicated city sales taxes for public safety needs in the Central Valley communities of **Ceres, Dinuba, Galt, Reedley, Sanger and Selma**; general fund city sales taxes in the Central Valley communities of **Arvin** and **Delano** as well as two consecutive measures in the Sonoma County city of **Cotati**; increased transient occupancy tax (TOT) rates in the resort communities of **Big Bear Lake, Carpinteria, North Lake Tahoe**, and the Central Valley town of **Kingsburg**; modernized the utility users tax ordinance of the Central Valley city of **Dinuba** and established a new utility users tax in the Sonoma County city of **Cloverdale**, among many others. Our research has also contributed to the victories of local hospital district parcel taxes in Trinity County and Sonoma County, a local hospital district bond measure in rural Fresno County, and dozens of successful finance measures for local school districts in small town and rural communities throughout the state.

FM3’s experience conducting research in numerous small town and rural California communities suggests that although residents are often fiscally conservative, they do value certain essential municipal services, such as public safety and street maintenance, and are often willing to support finance measures—when they understand how additional funds will be spent and which accountability features are in place to ensure those funds are spent efficiently and as promised to voters. Although

communicating these points effectively is essential for a successful finance measure in any community, we anticipate they will be even more crucial for a finance measure in the City of Lakeport, where 35% of likely November voters are registered Republicans and 41% are over the age of 65.

Project Staff

The Project Manager for this research will be firm President Dave Metz, who will ensure the project is completed within the scheduled timeframe and fulfills the City's expectations and requirements. Mr. Metz will be assisted in client coordination, survey drafting, data analysis and report writing by Research Associate Miranda Everitt. Our Data Processing Manager Seth Geyer will serve as primary statistician for the assignment's duration. The project team will also include call center Opinion Services (OS), which will provide telephone interviewing services; online research firm GMI Mobile Research (GMI), which will provide online hosting, email blast and web-based interviewing services; and Statewide Information Services (SIS), which will provide voter samples.

David Metz, President

FM3 Partner David Metz has provided opinion research and strategic guidance to hundreds of non-profit organizations, government agencies, businesses, and political campaigns in over 40 states since joining the firm in 1998. He served as Assistant Project Manager for FM3's Lake County transportation finance research in 2001 and 2003, and as Project Manager for the 2012 research and for FM3's research in unincorporated Lake County and the City of Clearlake in February of 2016. As a result, Mr. Metz is thoroughly familiar with Lake County and its long-term local revenue challenges.



In a challenging cycle for Democrats in 2014, Dave's polling helped to re-elect Oregon Governor John Kitzhaber and four members of Congress, and also guided successful ballot measures to legalize marijuana in Oregon and Washington, DC. In 2012, Dave's research helped a diverse variety of campaigns to success, including Prop 39, a California ballot measure to close a corporate tax loophole and fund clean energy programs; Pre-K for SA, San Antonio Mayor Julian Castro's ballot measure to fund early childhood education; and an independent expenditure campaign to elect Martin Heinrich to the U.S. Senate in New Mexico.

Dave has provided research to win some of the nation's most expensive and contentious ballot measure campaigns. These include all of the largest conservation finance measures in national history, including five successful statewide bond measures providing \$15 billion to protect land and water in California, as well as major statewide measures in Florida, Maine, Minnesota, Iowa, Pennsylvania, Ohio, Nevada, New Jersey, Rhode Island and Oregon. In 2010 his research helped guide the campaign against California's Proposition 23 to an overwhelming victory with 62 percent of the vote, successfully defending the nation's strongest state law to reduce greenhouse gas emissions. His research on the issue of "regulatory takings" helped the environmental community reverse a string of ballot measure losses and win five consecutive campaigns in California, Oregon, Washington and Alaska.

Dave's other successful work on ballot measure campaigns has included tobacco prevention (California, Colorado, Florida, Nevada and Arizona), Indian gaming (Arizona and California), clean energy (California and Washington), early childhood education (Texas and Arizona), arts funding (Oregon and Minnesota), stem cell research (California and Missouri), transportation funding (California and Washington), and political reform (California and Illinois).

Dave has also provided opinion research on key message and policy issues to numerous environmental and conservation organizations, including The Nature Conservancy, the Trust for Public Land, the Natural Resources Defense Council, Environment America, the League of Conservation Voters, the Environmental

Defense Fund, Climate Solutions, Ducks Unlimited, American Rivers, Greenpeace, Earthjustice, the Wilderness Society, the Chesapeake Bay Foundation, the Sierra Club, and the National Audubon Society.

Dave has also specialized in providing community satisfaction, policy development and ballot measure feasibility surveys for major cities including Oakland, Sacramento, San Francisco, and San Jose.

David Metz received his Bachelor's degree in Government from Harvard University and his Master's in Public Policy from the Goldman School of Public Policy at the University of California-Berkeley. His writing on politics has appeared in *Campaigns & Elections* magazine, and in *Classifying by Race*, an edited volume on the role of race in American politics.

Miranda Everitt, Research Associate

FM3 Research Associate Miranda Everitt will assist Mr. Metz with drafting the survey instrument and analyzing its results. Ms. Everitt has completed survey research on finance measures in a wide variety of California communities, including recent polling on local transportation sales taxes for unincorporated Lake County and the City of Clearlake, as well as work for Humboldt County, the Humboldt County Association of Governments and the Red Bluff Joint Union High School District in Tehama County. She has extensive experience with FM3's innovative dual-mode survey research methodology.



Ms. Everitt worked in various policy analysis and communications roles prior to joining FM3, having held positions at the *Oakland Tribune*, California Budget & Policy Center, and several Bay Area nonprofit organizations. Miranda Everitt joined FM3 in 2015 after completing her M.P.P. at UC Berkeley. She graduated from Bowling Green State University with a Bachelor of Science in Journalism in 2007.

Seth Geyer, Data Processing Manager

FM3 Data Processing Manager Seth Geyer is the most experienced data processor in the department. In addition to working on a wide variety of individual survey projects, Mr. Geyer has overall responsibility for quality control on cross-tab book production for all FM3 projects. He is also the company's principal Data Processing point of contact for sample vendors, phone bank Data Processing managers and any other data providers. No matter the election, Mr. Geyer is the first in the firm to receive, verify, and analyze critical campaign survey data. Educated in Hawaii, Mr. Geyer is proficient in many data processing and statistical analysis software packages including Survey Systems and Perception Analyzer. Additionally, he is an SAS Certified Professional Programmer.

Elyse Guerrero, Director of Operations

Elyse Guerrero is FM3's Director of Operations, coordinating all interactions with subcontractors including voter sample vendors, focus group facilities, telephone call centers, and online survey hosting providers. Ms. Guerrero's prowess managing the fielding of numerous research projects simultaneously is requisite to FM3's ability to deliver the highest quality research to our clients both quickly and efficiently. Elyse Guerrero is a 22-year veteran of the FM3 team, having served multiple roles in the firm over the years including accounting and administration. Elyse holds a degree in business administration from Michigan State University.

Liz Mares-Kim, Graphics Presentation Manager

Ms. Mares-Kim works directly with FM3's researchers to produce all graphics and visual report presentations. Ms. Mares-Kim joined FM3 in 1995; she is fluent in Spanish and English, and is a graduate of UCLA in Spanish literature.

Mike Abate, Owner/Partner, Opinion Services

FM3 will subcontract telephone interviewing services to Opinion Services, Inc. (OS). OS's facilities have well-established procedures to supervise the interviewing process and to verify that interviews are conducted according to specifications. Among these procedures are the monitoring of actual interviews by

on-site supervisors, identification of each interview by interviewer, and the use of a regularly employed staff of professional, full time interviewers. There is an established protocol for callbacks of busy or “not-at-home” numbers designed specifically to maintain the randomness of interviewee selection. Mike Abate has partnered with FM3 on hundreds of telephone survey projects for over fifteen years, including the firm’s recent finance measure research for Lake County and the City of Clearlake in February of this year. Mr. Abate, a graduate of Villanova University, has managed telephone interview call center operations as Director of Operations and subsequently Vice President of the firm Research America, Inc.; he is currently a co-owner and partner of the firm Opinion Services Inc.

Bob Proctor, President, Statewide Information Services

Statewide Information Services (SIS) provides voter sample lists that include the most up-to-date voter names, addresses, telephone numbers (listed, unlisted and cell phone numbers), email addresses, voter party registration and past voter history (in which past elections individuals have voted). STS President Bob Proctor is a senior Information Technology (IT) consultant with over 25 years of experience in evaluation and statistical research in education and public sector environments. Mr. Proctor holds a BS degree in Mathematics, with a minor in Statistics, from California State University at San Jose. Over his years of private and public sector service, Mr. Proctor has developed an extraordinary reputation for his insightful analyses of very large-scale studies.

Jordan Skovron, Account Executive, GMI Mobile Research

FM3 will subcontract web hosting and online interviewing services to GMI Mobile Research (GMI), one of the country’s leading firms in the field of web-based public opinion research. The online interviewing option provided as part of FM3’s innovative dual-mode (telephone and internet) data collection methodology is optimized so that respondents can easily take the survey from a computer or tablet/smartphone device, providing enormous flexibility regarding when and how they can participate. GMI’s Account Executive Jordan Skovron has partnered with FM3 on many occasions (including the firm’s recent finance measure research for Lake County and the City of Clearlake), overseeing online interviewing for numerous research projects throughout the state utilizing the firm’s dual-mode data collection methodology.

WORK PROGRAM

Survey Methodology

FM3 recommends conducting this survey using our firm’s dual-mode telephone/internet data collection methodology. Utilizing this approach will provide Lakeport voters with the greatest number and variety of opportunities to participate in the survey, significantly increasing the likelihood of ultimately completing the desired number of interviews with voters likely to cast a ballot in the November 2016 general election.

The last several years have seen significant changes in Americans’ use of telephones and other telecommunication technologies. The dramatic rise in the use of caller I.D. and similar features has led to an unprecedented increase in individuals screening their calls. At the same time, the use and prevalence of the internet has exploded as an increasingly greater proportion of the population has access through their smartphone or other mobile device. These changes have had a significant effect on the discipline of public opinion research.

The traditional survey approach of conducting randomized telephone interviews continues to provide highly accurate data on public sentiments in a cost-effective manner, and FM3 would be happy to complete the project using this methodology if the City prefers. However, the aforementioned rise of call-screening behavior presents growing challenges for survey projects attempting to achieve generalizable results within small populations, such as the City of Lakeport’s electorate.

To this end, the contemporary approach for gathering statistically-reliable data is to employ both the traditional telephone survey methodology alongside the latest online survey applications. While many

respondents are willing to offer their opinions in a telephone survey, there are several identifiable segments of the sample that are more likely to respond to an online version of the same questionnaire. Combining the telephone and online data will result in an all-inclusive, representative sample of the City's likely voters. Using this modern, dual-mode survey methodology, FM3 collects data in two phases:

Phase I: Online Interviews:

During this initial phase, FM3 will pull a randomized sample of the City's likely November 2016 general election voters. FM3 will collect email addresses for respondents in this sample from three sources:

- (1) The Lake County Registrar of Voters
- (2) The City's own records (if available)
- (3) By matching the names of those who do not have an email address on file with the Registrar with a list of email addresses from commercially-available consumer records

Once FM3 has identified email addresses for the desired number of respondents (or greatest number possible), an invitation will be sent to these individuals. To encourage the greatest possible rate of participation in the survey, we recommend using the City's electronic stationery for the email invitation—to be electronically signed by the City Manager—explaining that the City of Lakeport has hired an independent public opinion research firm to conduct a survey on issues that are relevant to local residents. The email invitation will provide a link for the voter to take the survey online. Within three to four days after the first email invitation is sent, a second reminder email will be directed to recipients who have not yet taken the survey, requesting that they do so.

Phase II: Telephone Interviews:

Within a week of this initial email, FM3 will conduct a thorough examination of the demographic characteristics of those who have taken the survey online. By comparing the demographics of those who have completed an online survey with the attributes of the City's desired audience, FM3 will note specific subsets that are either overrepresented or underrepresented in the online sample. In many communities for example, those who opt to take a survey online tend to be both younger and more recent registrants than the broader population.

FM3 will then conduct further interviews with additional respondents by telephone. The telephone interviews will be concentrated among respondents who were underrepresented in the online sample, thereby producing an overall survey sample using both methodologies (online and telephone) that is representative of the City's likely voter universe. Given the composition of those who generally opt to take surveys online, it is likely that the telephone interviews will be heavily concentrated among respondents 50 and over, and other groups that are less likely to have an email address on public record.

FM3 will also conduct a smaller number of telephone interviews among individuals whose demographic profile matches that of the online survey participants, but for whom no email address is available, to ensure the accuracy of the data produced by the online portion of the survey.

Using both telephone and online surveys will provide the following benefits for the project:

- 1) The ability to complete a greater number of interviews, thereby decreasing the survey's margin-of-error and increasing precision of results, and;
- 2) The ability to capture opinions from a pool of respondents who are representative of the City's desired audience.

In summary, FM3 recommends using the dual-mode methodology outlined above for this project because it provides specific benefits not attainable using a traditional telephone-only survey methodology, as discussed above.

Research Approach

FM3's unsurpassed, 35-year history of guiding successful local finance ballot measures to victory in California communities has produced a wealth of practical information to draw from regarding how best to earn voters' support for these measures. By combining the information provided by our background research and Project Initiation Meeting with FM3's extensive knowledge of public opinion survey methodology and insight gained from prior public opinion research, the research team will draft the survey questionnaires and circulate these first drafts for review and comment. After collecting comments and suggestions, FM3 will refine the survey instruments, and recirculate them for further examination.

We foresee proceeding through two to three drafts of each survey, incorporating feedback from the City staff before each revision, to arrive at a final questionnaire that will obtain the information desired by the City. Before interviewing commences, FM3 will secure approval from the appropriate City representative on the final version of the questionnaire. (Past FM3 surveys in Lake County on transportation issues have utilized oversampling within Lakeport, Clearlake and unincorporated Lake County, so that our research results could be compared over time and by geography.)

We presume the instrument will explore many of the following issue areas, among others:

- Do voters believe that things in Lakeport are moving in the right direction, or do they think things have gotten off on the wrong track? How has this impression changed from the times when previous rounds of research were conducted?
- Do voters perceive a need for additional local funding generally? For any specific services (public safety, road repairs/maintenance, others) in particular?
- How do voters rate the management and performance of various local government agencies?
- What do voters view as the biggest problems facing Lakeport? How have their perceptions changed since prior research conducted in 2001, 2003 and 2012?
- What is the City's "image" as a service provider and administrative agency? Has this changed in the last four years?
- Do voters trust the City to spend taxpayer money efficiently and as promised?
 - To what extent are voters aware of Measure I, the City's existing, 0.5 percent municipal general purpose sales tax which was approved by voters in November 2004?
 - Among voters who are familiar with/remember Measure I, do they approve of how Measure I funding has been managed and spent?
- How do voters respond to wording alternatives for the ballot title and label language? Does a utility users tax or transient occupancy tax inspire more support than a sales tax? Would a special-purpose tax attract more support than a general-purpose tax?
- What is the maximum tax rate that voters will support?
 - Is there greater support for a "no tax rate increase" sales tax measure that would raise the City's sales tax rate by 0.25 percent at the same time as the state's temporary 0.25 percent increase authorized under Proposition 30 in 2012 will be expiring?
- Given realistic options, how do voters prefer measure funds be spent? How have priorities shifted from 2001 to 2003 to 2012 to the present?
- How does the inclusion of accountability provisions, such as the use of a citizen's oversight committee, annual independent financial audits, and/or a sunset clause of various lengths affect support for the measure?
- How might the presence of other local and statewide finance measures impact support for the measure in November 2016, including potential transportation sales taxes in Clearlake and unincorporated Lake County?

- What are the specific informational, non-advocacy themes, statements and frames that are most effective at building and solidifying support for a local finance measure?
- What are the demographic, geographic and socioeconomic characteristics of the measure's supporters, opponents, and those who are persuadable?
- Among the various anti-finance measure messages likely to be utilized by opponents, which one(s) present the greatest threat to support for the measure, and what specific steps can Lakeport and other supporters take to inoculate voters from the impact of these negative arguments?
- Who are the most credible spokespersons and organizations to advocate on behalf of the measure?

In addition, the survey instruments will gather relevant demographic information from respondents, enabling the analysis of responses by gender, age, party registration, ethnicity and other demographic groupings. The data will identify consistent supporters and opponents of each proposed measure, as well as those who can potentially be swayed to support the measure after additional education. Relevant geographic data about survey respondents will be provided by the voter file, as all voters are required to provide a current residential address when they register to vote.

With a total of 1,896 likely November 2016 voters in the City of Lakeport, a sample of 100 to 150 residents will yield results that reflect the diversity of the population with a margin of error sufficient for decision making (+/-7.7 percent for a full sample of 150 interviews, +/-9.5 percent for a full sample of 100 interviews). For the reasons outlined above, FM3 recommends conducting a survey, online and by telephone, averaging 20 minutes in length, among up to 150 City of Lakeport likely voters.

Tentative Schedule

One of our firm's strengths is the ability to complete a course of research quickly and efficiently. A draft outline of the timeframe within which project milestones will be completed follows below, based on the April 19 contract award date identified in the RFP. We are fully capable of accelerating or adjusting this timeline to meet the City's needs.

April 19 – April 29

- Authorization to proceed; kick-off meeting
- Finalize sample specifications, survey methodology and processes
- City provides relevant information for FM3 to begin drafting the survey instrument
- Circulate first survey drafts for comment

May 2 – May 6

- Revise initial survey drafts based upon APC staff review and comment
- Finalize survey draft for pre-testing
- Acquire the survey sample
- Program survey
- Conduct pre-test of survey instrument
- Begin conducting online survey interviews

May 9 – May 20

- Complete online survey interviews
- Begin conducting telephone survey interviews

May 23 – May 27

- Complete telephone survey interviews
- Produce "topline" results
- Debrief with City staff on the topline survey results
- Produce cross-tabulation report

May 31 – June 8

- Produce graphic presentation of survey results
- Present research findings to City staff and other stakeholders
- Draft initial version of PowerPoint report

June 8 – June 13

- Receive City staff feedback on initial version of report

June 13 – June 17

- Create finalized version of report

June 21

- Present finalized report with results and recommendations to Lakeport City Council

Ongoing

- FM3 remains available to present findings to staff, consultants, elected officials or other stakeholders as needed
- FM3 assists in the development of the 75-word ballot title and summary, in the event the City decides to place a measure on the November 2016 ballot
- FM3 conducts additional analyses of the survey data as needed

Data to be Provided by the City

A kick-off call outlining the City's goals, priorities and any information relevant to survey drafting will be the main source of information needed. FM3 will require the City's best estimate of annual funding raised by each tax level and mechanism getting a full, 75-word ballot test.

COMPENSATION

Table 1 below illustrates FM3's costs for the recommended methodology, including travel to Lakeport from our Oakland headquarters for one public presentation at cost. Other travel, if required, would be billed at cost as well. Prices for a shorter, 15-minute survey are also offered for comparison.

**Table 1:
City of Lakeport Survey Research Costs**

Number of Interviews	15 minutes	20 minutes
N=100	\$18,750	\$19,850
N=150	\$20,250	\$21,500

PROPOSAL SUBMITTAL SUMMARY

The proposer declares that he has carefully examined the Request for Proposals, which is hereby made a part of this proposal; is thoroughly familiar with its contents; is authorized to represent the proposing firm; and agrees to perform the specified work for the following cost quoted in full:

Public Opinion Research	\$21,500
--------------------------------	-----------------

X Certificate of insurance attached

ATTACHMENT 1

FM3 Research
1999 Harrison Street, Suite 2020
Oakland, CA 94612

Contact:
David Metz
dave@fm3research.com
(510) 451-9521

INSURANCE (PROPERTY AND BUSINESS LIABILITY)

Carrier:	Sentinel Insurance Company LTD (The Hartford Group)
A.M. Best Rating:	A+ (Credit Rating XV)
Broker:	O’Kane & Tegay Insurance Brokers
Commercial General Liability:	\$1,000,000 (each occurrence) \$10,000.00 Medical Expense (any one person) \$1,000,000 Personal and Advertising Injury \$1,000,000 Damages to Rented Premises (fire, lightening, explosion) \$2,000,000 General Aggregate (per policy period) \$2,000,000 Products/Completed Operations Aggregate
Automobile Liability:	\$1,000,000 Hired/Non-Owned Auto Liability (We do not own our own vehicles, and therefore, do not have “owned” auto liability insurance)
Umbrella/Excess Liability:	\$2,000,000 (each occurrence) \$2,000,000 Aggregate (per policy period)

INSURANCE (PROFESSIONAL LIABILITY, AKA ERRORS AND OMISSIONS)

Carrier:	AXIS Insurance Company
A.M. Best Rating:	A+ (Credit Rating ICR)
Broker:	O’Kane & Tegay Insurance Brokers
Professional Liability Standard Form	\$1,000,000 (each occurrence) \$1,000,000 (annual aggregate) \$25,000 (deductible)
Policy Limits	

INSURANCE (WORKERS COMPENSATION)

Carrier:	Employers Preferred Insurance Company
Broker:	Granite Insurance Brokers
Rating:	A-
Policy Limits:	\$1,000,000 Bodily Injury by Accident (each accident) \$1,000,000 Bodily Injury by Disease (policy limit) \$1,000,000 Bodily Injury by Disease (each employee)

REFERENCES

Number of years engaged in providing the services included within the scope of the Request for Proposals under the present business name: 35 (1981-Present)

Reference No. 1

Dow and Associates / Lake County-City Area Planning Council
Phil Dow, Principal
(707) 436-1806
dowp@dow-associates.com
367 N. State Street, Suite 206
Ukiah, CA 95482

Services: Two voter surveys in the City of Clearlake and unincorporated Lake County, both conducted in late February 2016, assessing the feasibility of a transportation sales tax in each. Contract amounts were \$18,400 for 250 interviews and \$19,000 for 367 interviews, respectively, before travel costs.

Reference No. 2

City of Arroyo Grande
Dianne Thompson, City Manager (Former City Manager of Cotati)
Tel.: (805) 473-5400
Email: dthompson@arroyogrande.org
300 E. Branch St.
Arroyo Grande, CA 93420

Services: FM3 worked closely with Arroyo Grande City Manager Dianne Thompson during her tenure as the City Manager of Cotati from 2007 to 2014 to help the City secure voter approval for two local sales tax measures over a period of slightly more than four years. Contract amounts were \$19,000 for 300 interviews for the first survey in 2009 and \$18,750 for the second survey with 273 interviews in 2013.

Reference No. 3

League of California Cities
Chris McKenzie, Executive Director
(916) 658-8275
mckenzie@cacities.org
1400 K Street, Suite 400
Sacramento, CA 95814

Services: Longstanding relationship polling on various statewide issues having to do with municipal finance. Most recent project was a 23-minute poll of 1,200 California voters assessing feasibility of a statewide initiative, completed in January 2016. Contract amount was \$56,000.

Appendix A:

2016 Unincorporated Lake County Transportation Survey Results



Lake County Voter Support for Funding Infrastructure Improvements

Survey Conducted February 17-23, 2016

Fairbank, Maslin, Maullin, Metz & Associates – FM3

PUBLIC OPINION RESEARCH & STRATEGY

Methodology

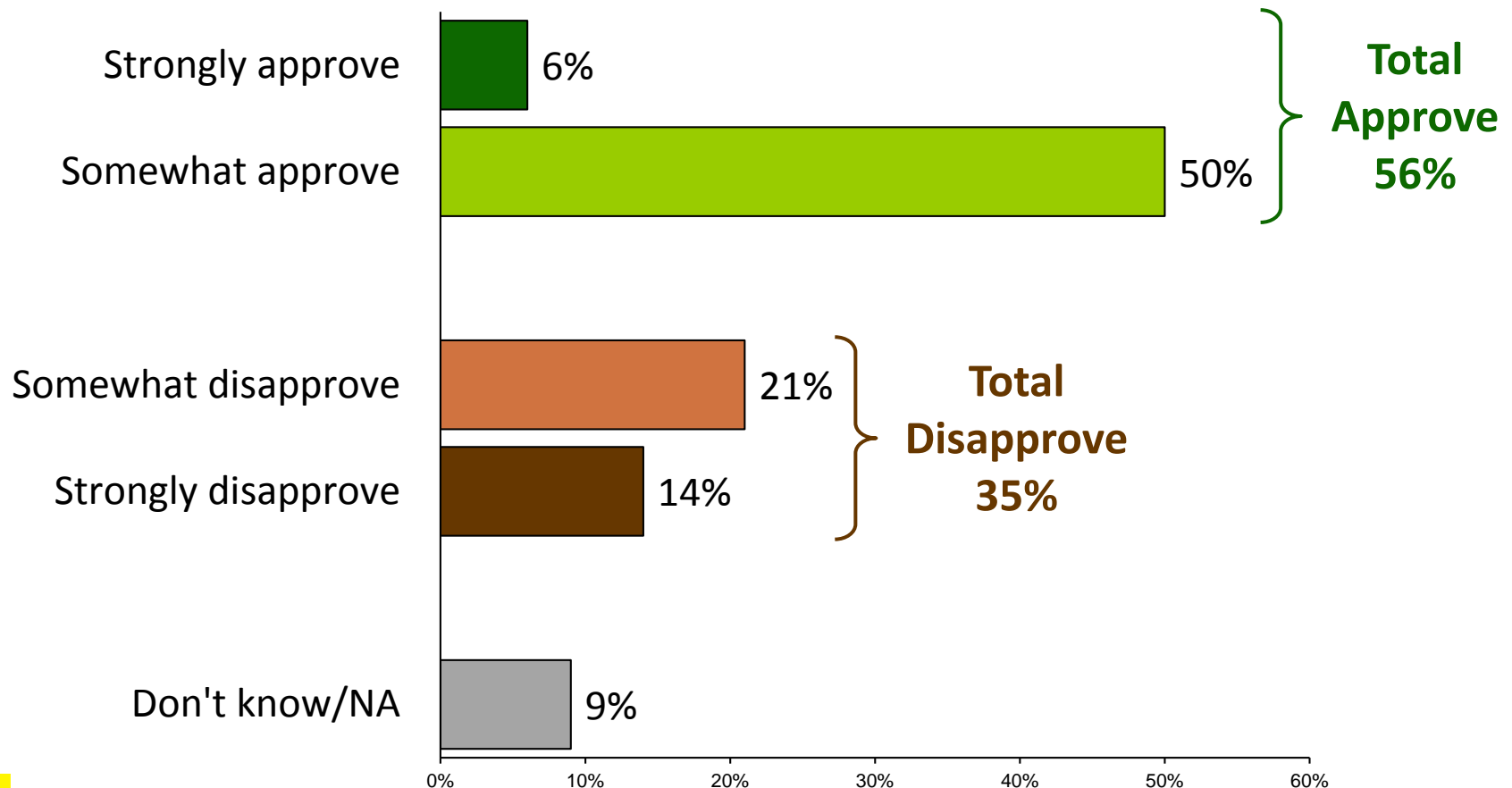
- 367 interviews with registered unincorporated Lake County voters likely to participate in the November election
- Conducted February 17-23, 2016 online and via landline and cell phones
- Margin of sampling error +/-5.1% at the 95% confidence interval
- Due to rounding, some percentages do not add up to 100%
- Selected comparisons to 2001, 2003, and 2012 surveys



Issue Context

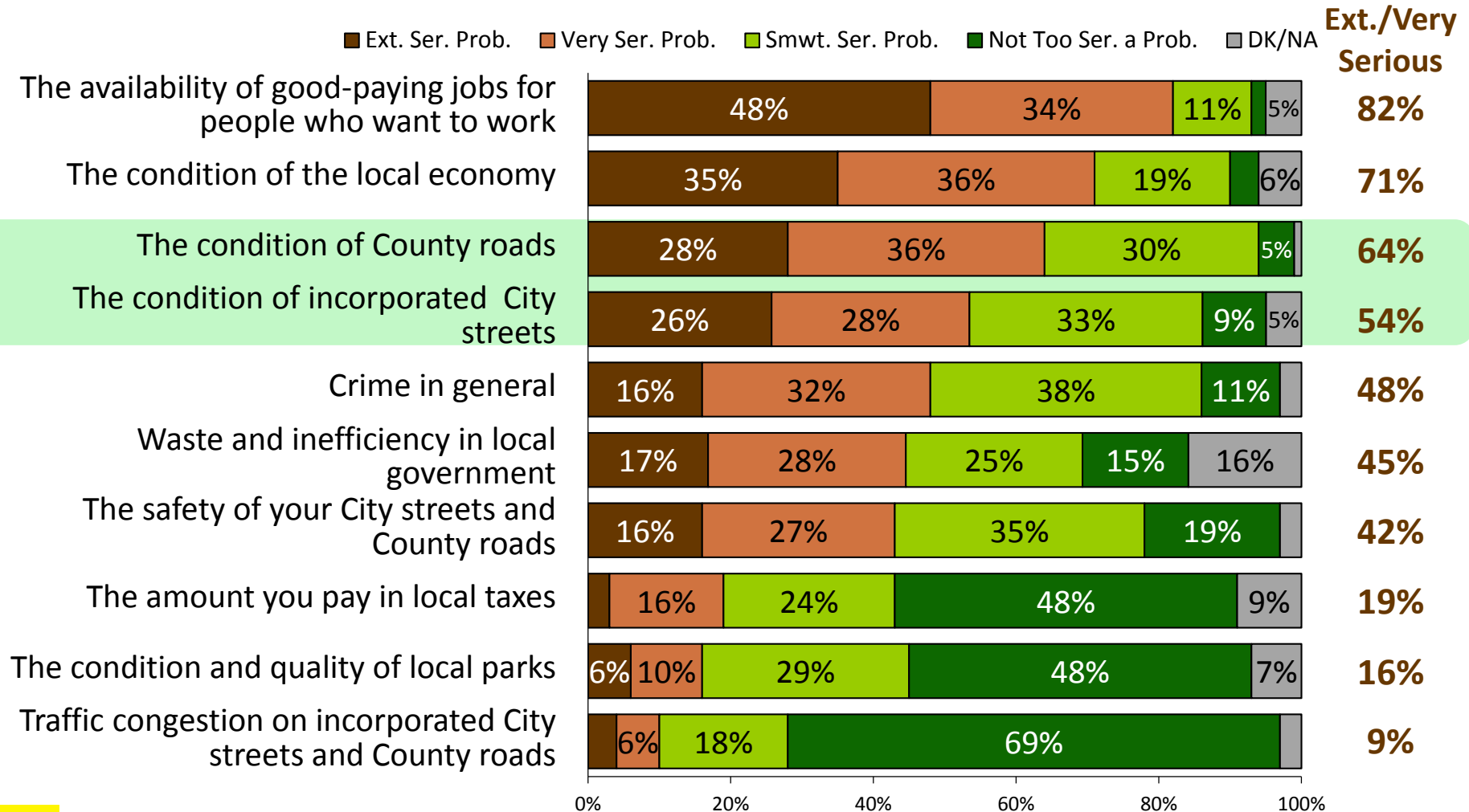
A majority approves of the performance of Lake County government.

Would you say you generally approve or disapprove of the job that Lake County government is doing?



Jobs and the economy are seen as top problems, with road conditions concerning nearly two-thirds.

ATTACHMENT 1



Concern about the condition of county roads has increased steadily over the last 15 years.

(Extremely/Very Serious)

Issue	2001	2003	2012	2016
The availability of good-paying jobs for people who want to work	63%	72%	80%	82%
The condition of the local economy	--	--	68%	71%
The condition of County roads	48%	53%	58%	64%
*The condition of incorporated City streets	--	69%	57%	54%
Waste and inefficiency in local government	26%	32%	32%	45%
The safety of your City streets and County roads	--	34%	39%	42%
The amount you pay in local taxes	20%	19%	21%	19%
The condition and quality of local parks	--	--	12%	16%
Traffic congestion on incorporated City streets and County roads	15%	12%	6%	9%



A Road Repair and Safety Sales Tax

Ballot Language Tested

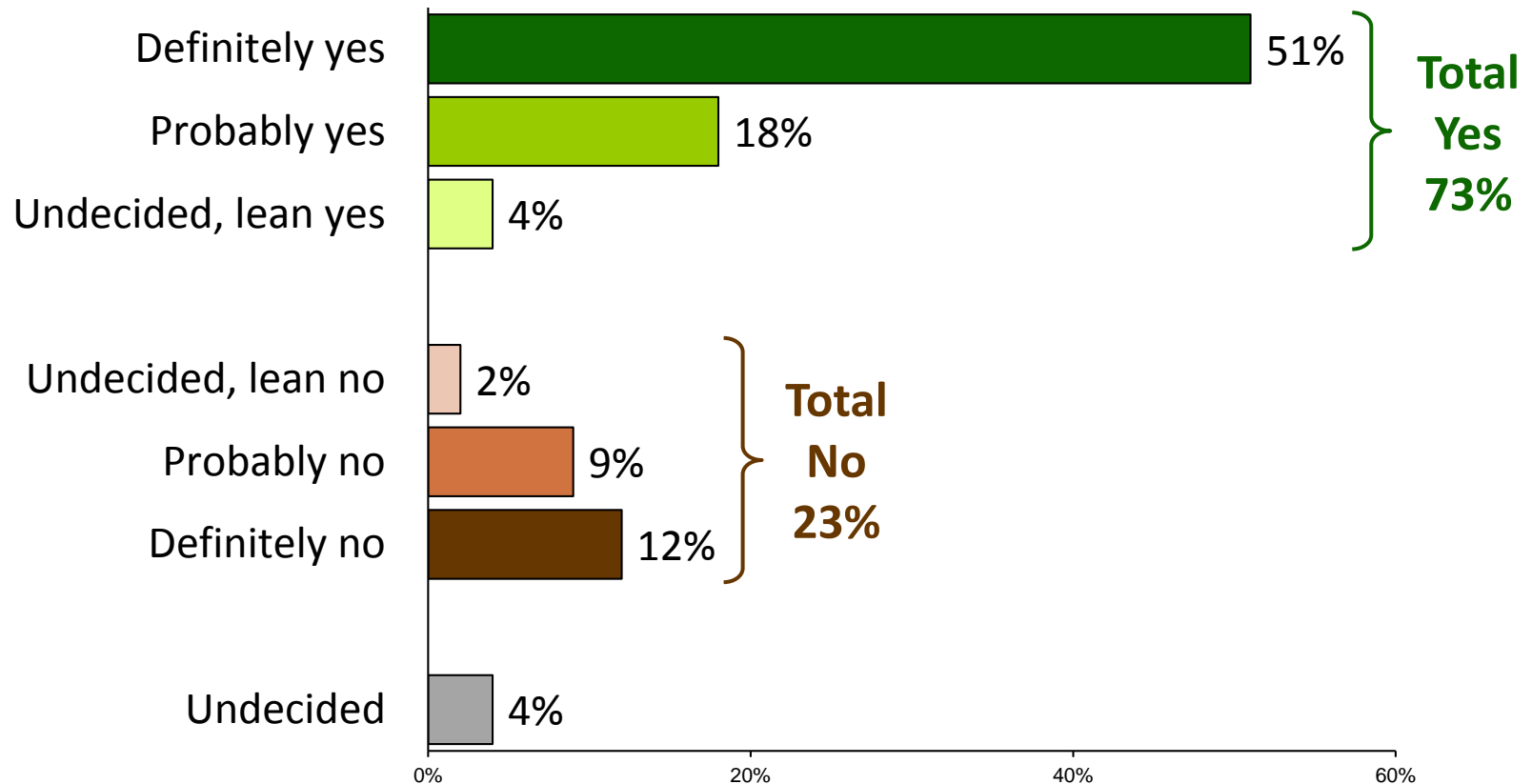
LAKE COUNTY ROAD REPAIR, SAFETY AND IMPROVEMENT MEASURE.

In order to repair, repave, and improve local residential streets and County roads; fix potholes; and improve driver, bicycle, pedestrian, and transit rider safety in the unincorporated areas of Lake County, shall the Board of Supervisors enact a one-half cent sales tax for 20 years, providing about \$1.2 million annually, requiring independent audits, oversight by a citizens' committee, public review of spending, and all revenues controlled locally?

Support for a road repair sales tax starts strong.

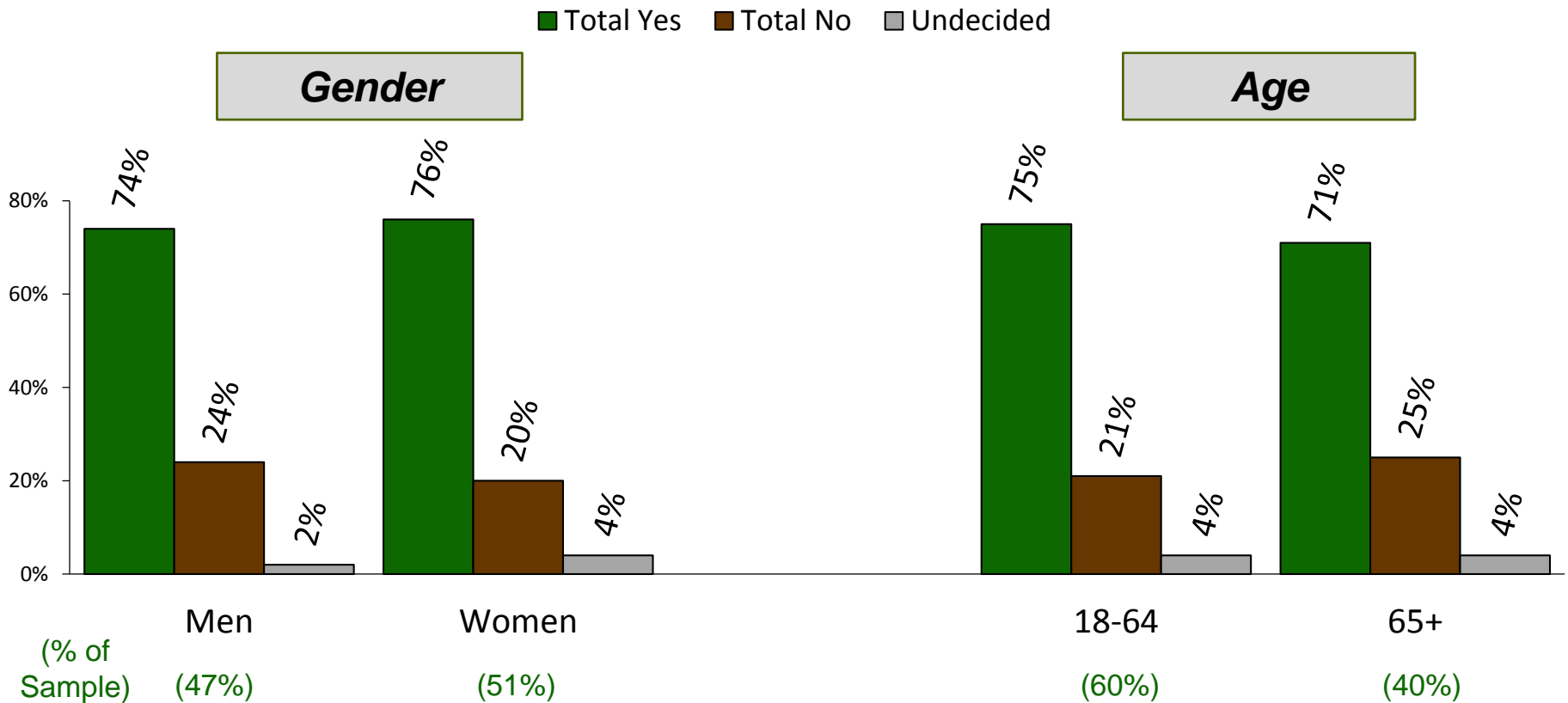
ATTACHMENT 1

If the election were held today, would you vote yes in favor of this measure or no to oppose it?



About three-quarters of women and young voters support the measure.

Initial Vote by Gender and Age



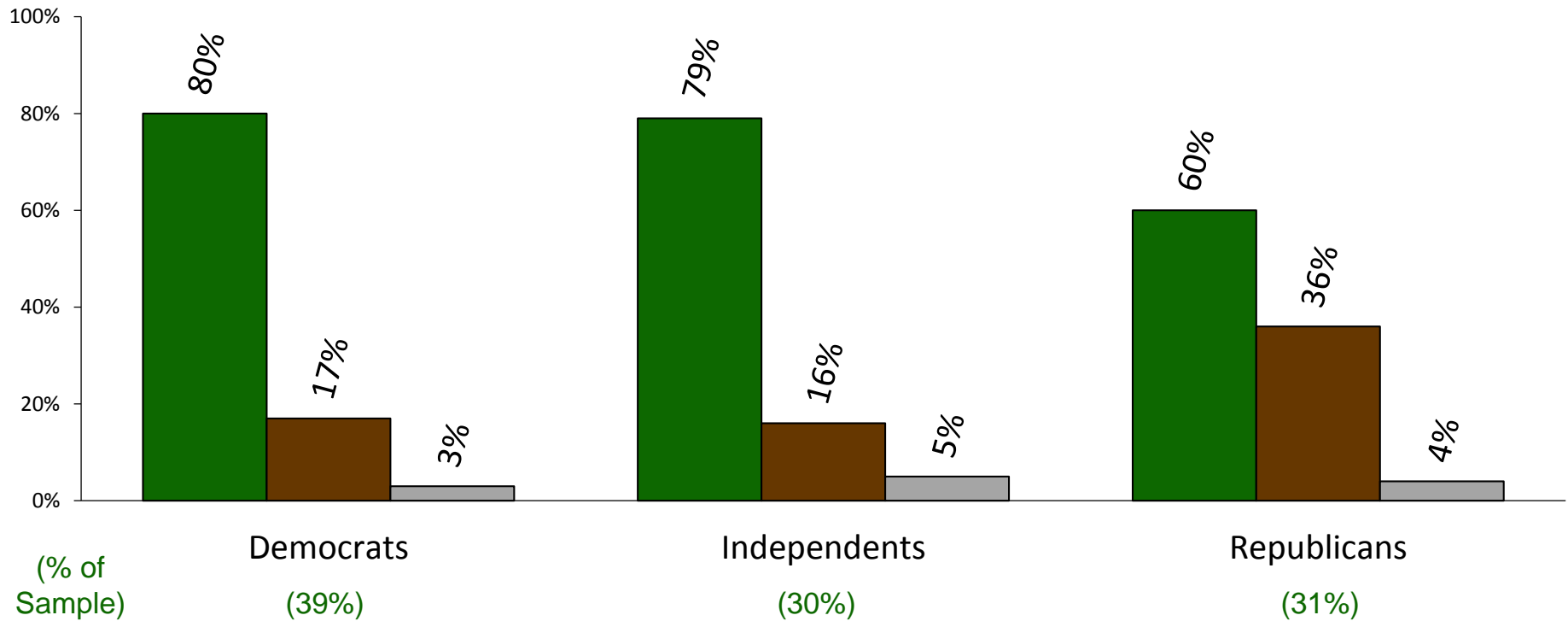
Q2. If the election were held today, would you vote yes in favor of this measure or no to oppose it?

Four in five Democrats support the measure, as do three in five Republicans.

ATTACHMENT 1

Initial Vote by Party

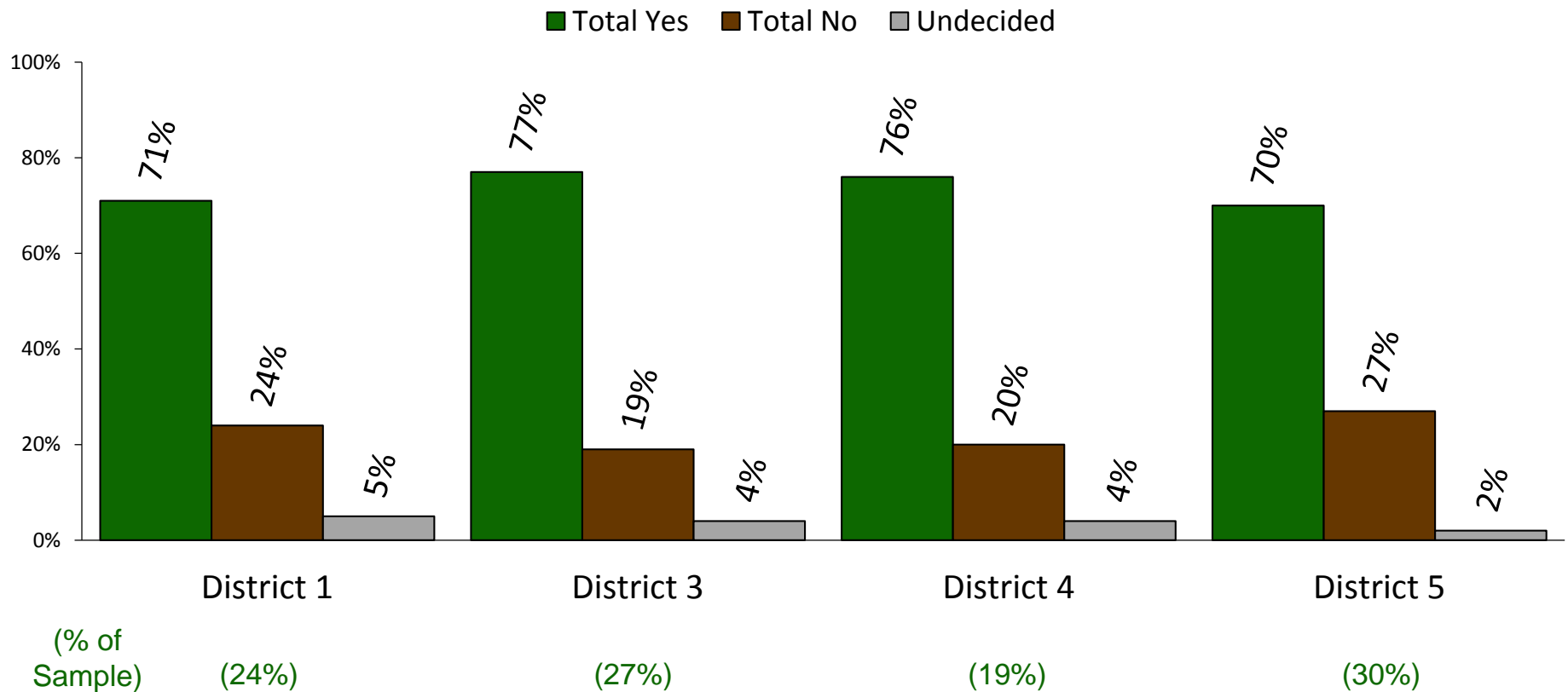
■ Total Yes ■ Total No ■ Undecided



The bond measure has support from at least 70% in every county supervisor district.

ATTACHMENT 1

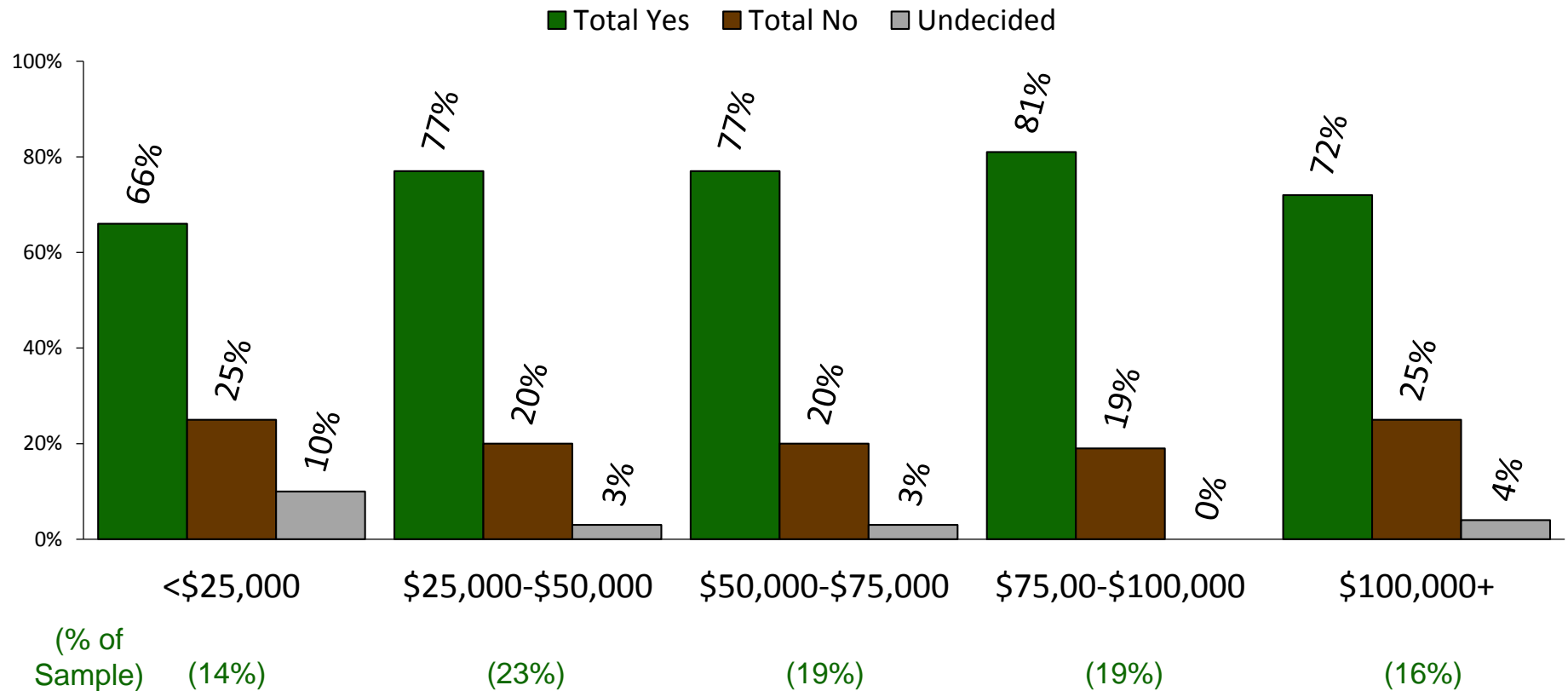
Initial Vote by Supervisorial District



Middle-income households offer somewhat stronger support than others.

ATTACHMENT 1

Initial Vote by Household Income

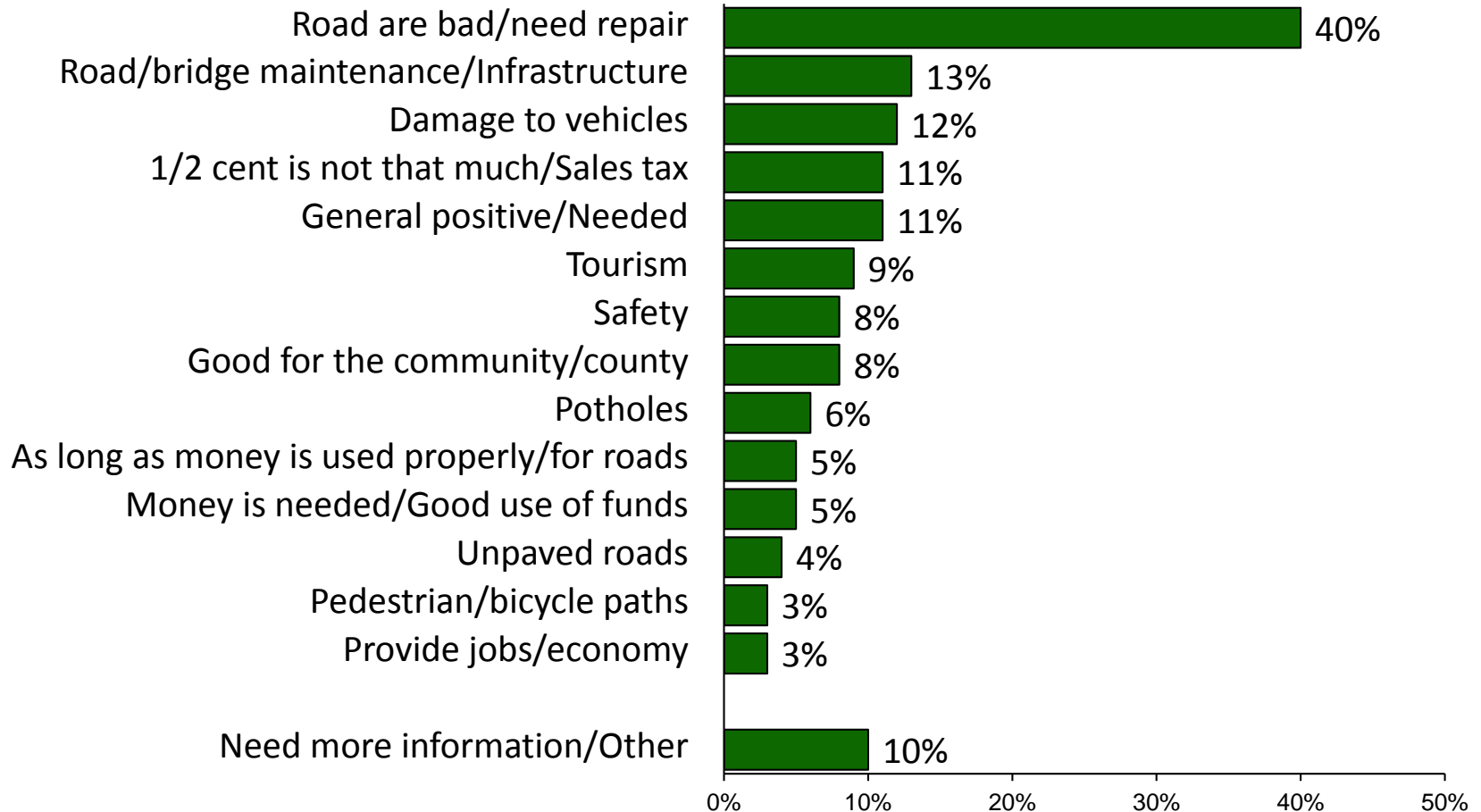


Q2. If the election were held today, would you vote yes in favor of this measure or no to oppose it?

Supporters clearly see the need for road repair.

*In a few words of your own, why would you vote **YES** on this measure?*

N=255

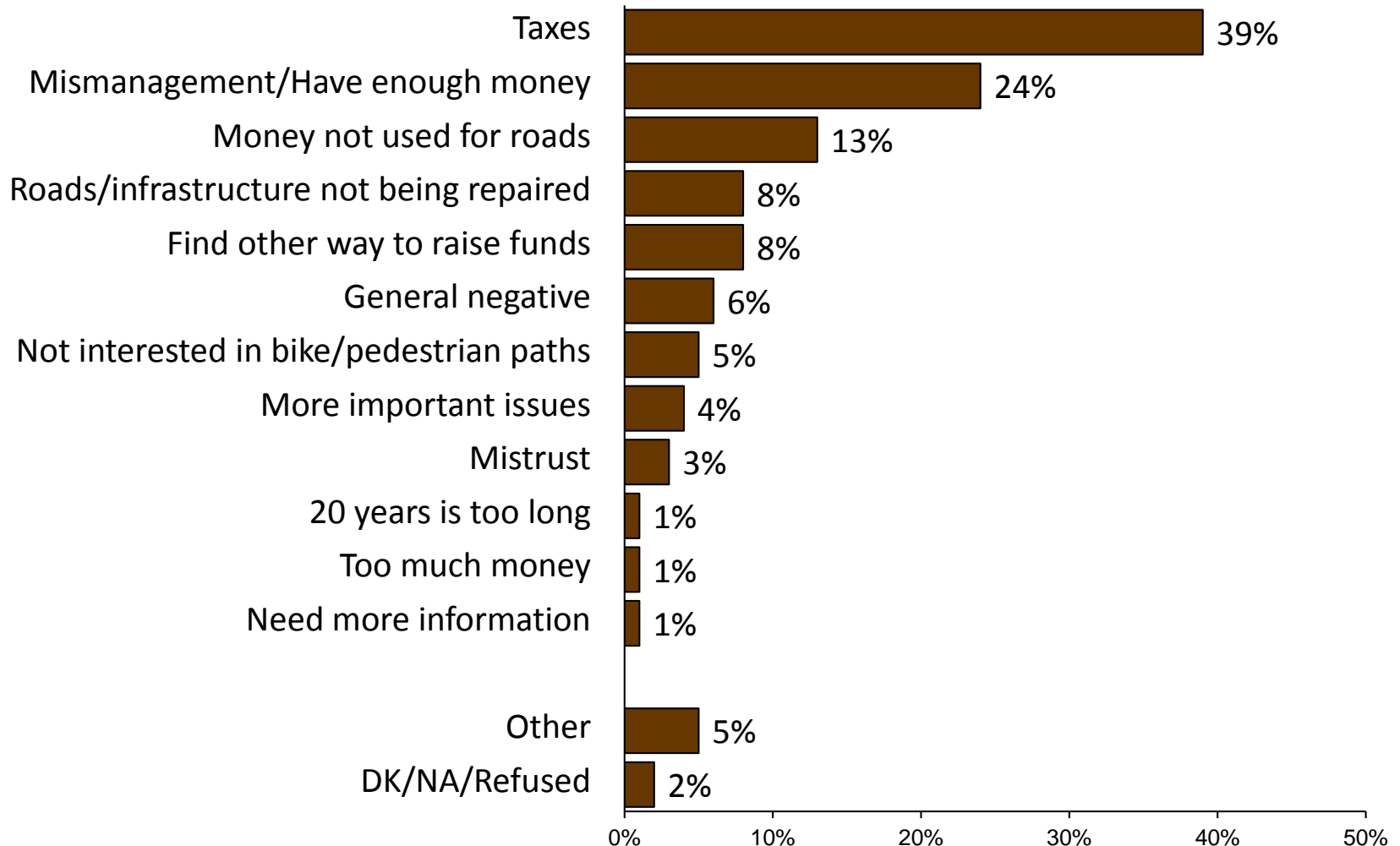


Q3a. Open Ended; 3% and Above Shown; Asked Only of Those Who Would Vote Yes

Opponents are generally anti-tax. ATTACHMENT 1

*In a few words of your own, why would you vote **NO** on this measure?*

N=78

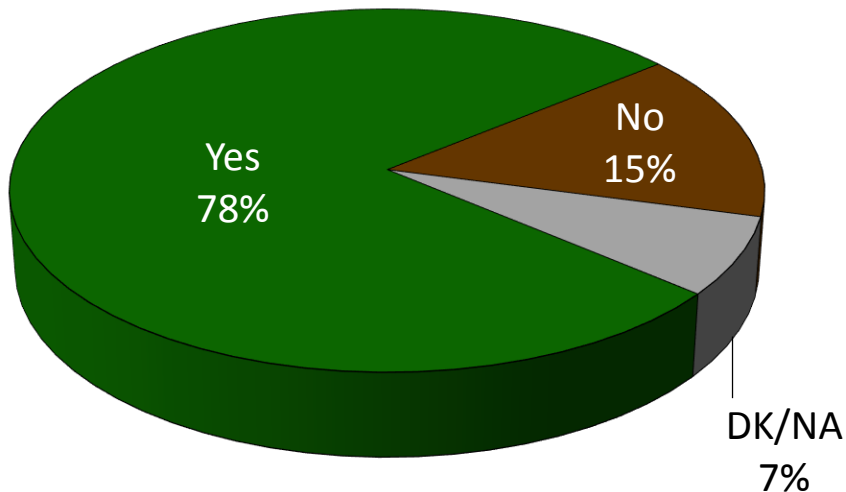


More than three-quarters say they could afford a half-cent sales tax.

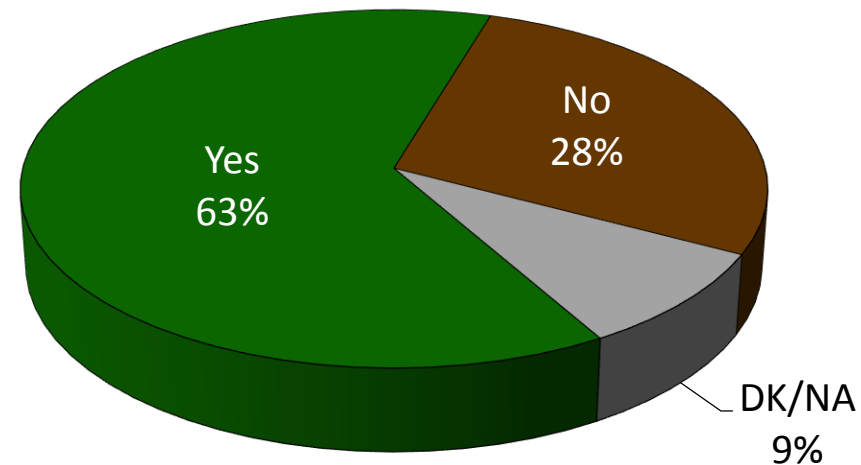
ATTACHMENT 1

Could you afford a sales tax increase of _____?

One-half cent

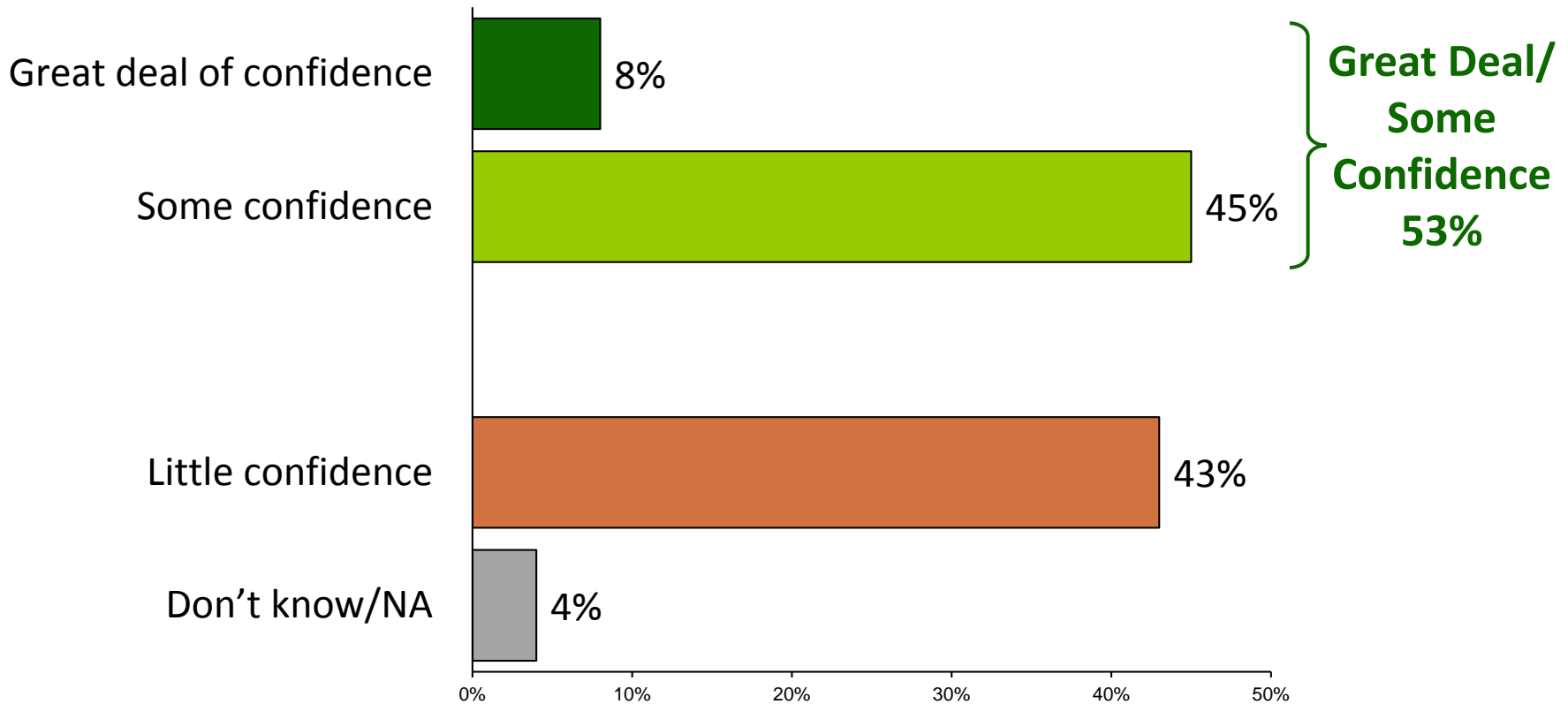


One-cent



About half have at least some confidence the money would be well-spent.

If your local County sales tax was increased, would you have a great deal of confidence, some confidence, or little confidence that the revenue would be well spent?

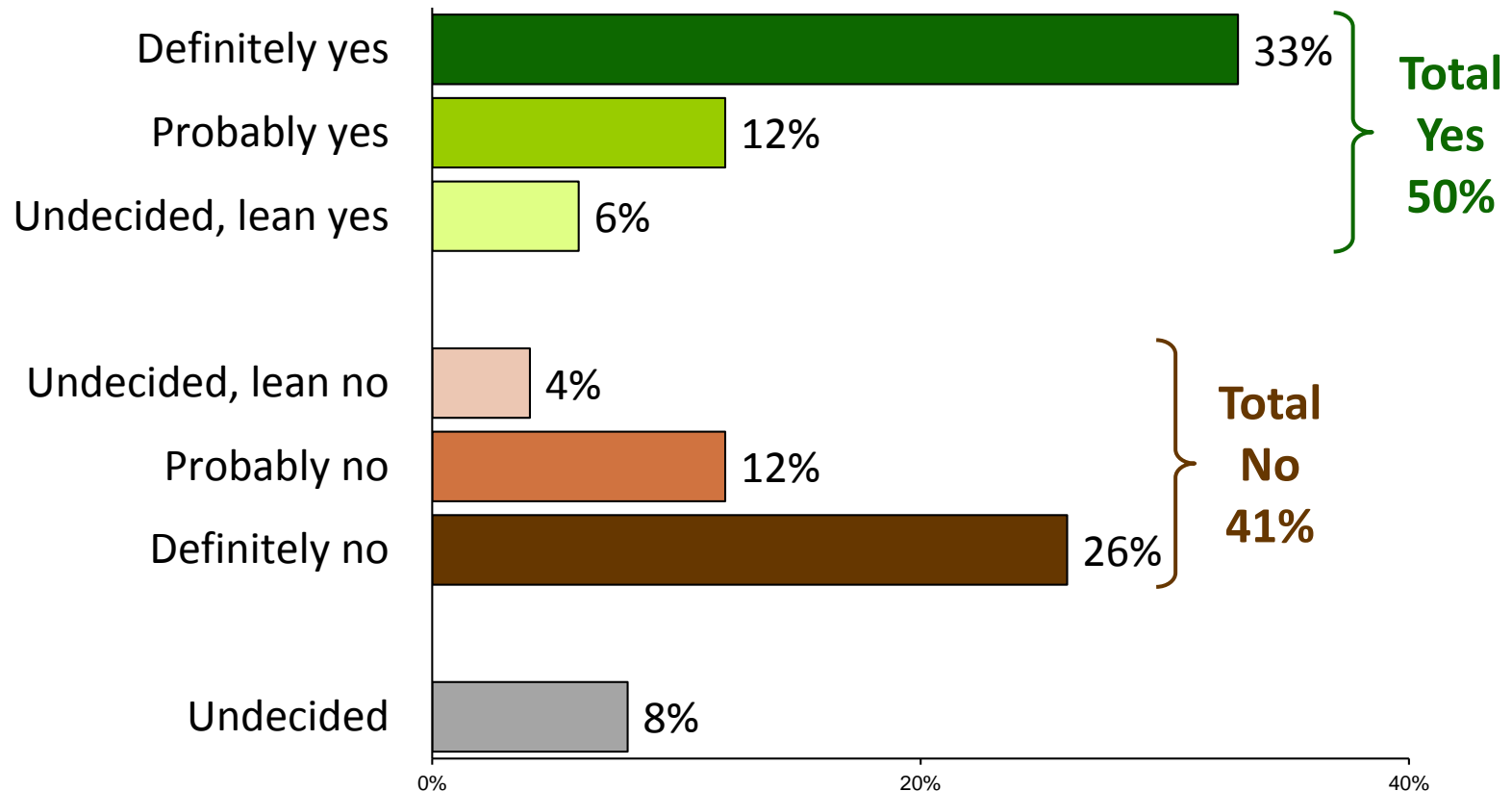




Measure Structure and Priorities

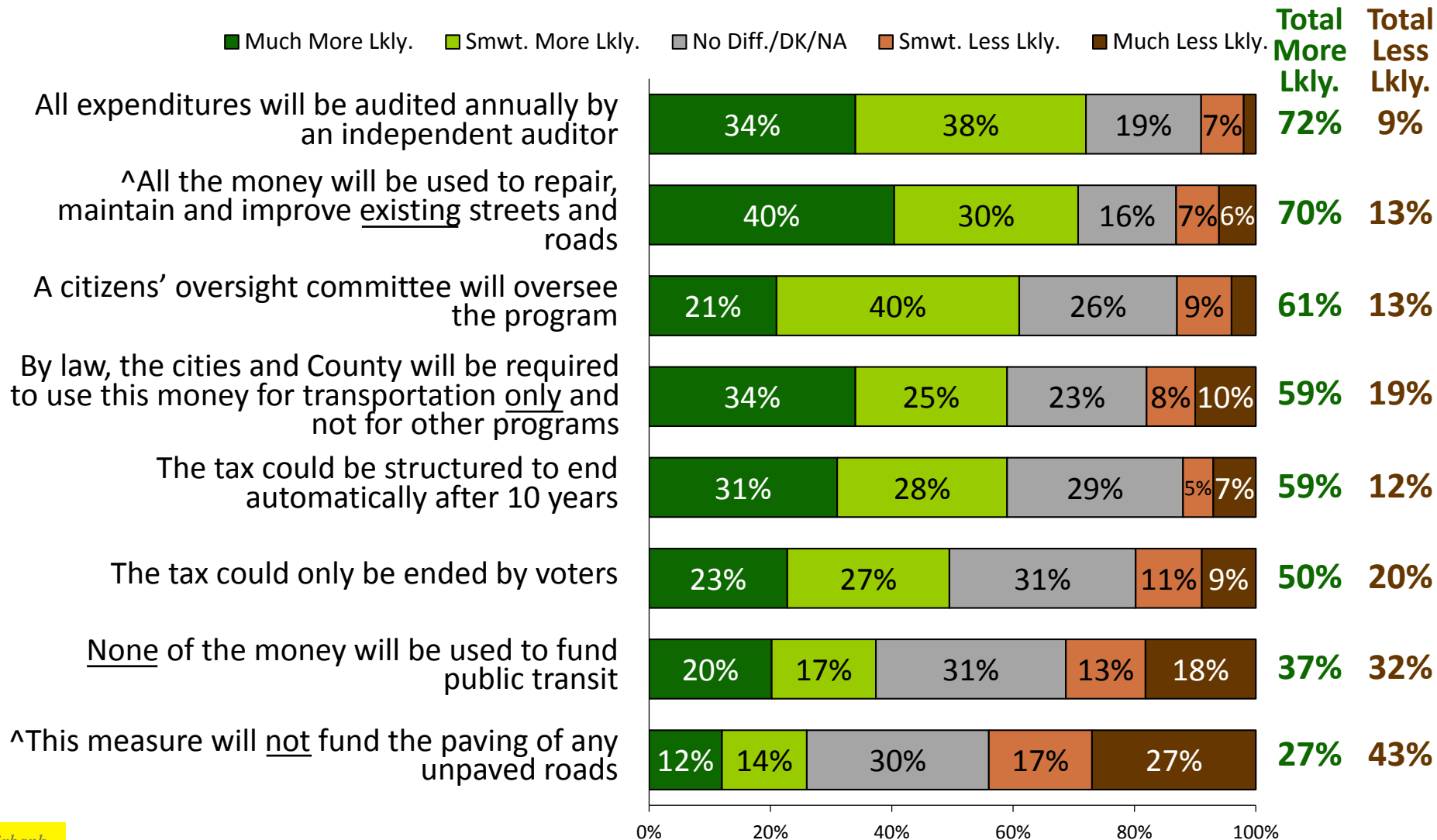
A one-cent sales tax is much less popular after voters hear about a half-cent tax.

Suppose the County transportation sales tax measure that I described would enact a one-cent sales tax instead of a one-half cent sales tax. If that were the case, would you vote yes to support it, or no to oppose it?



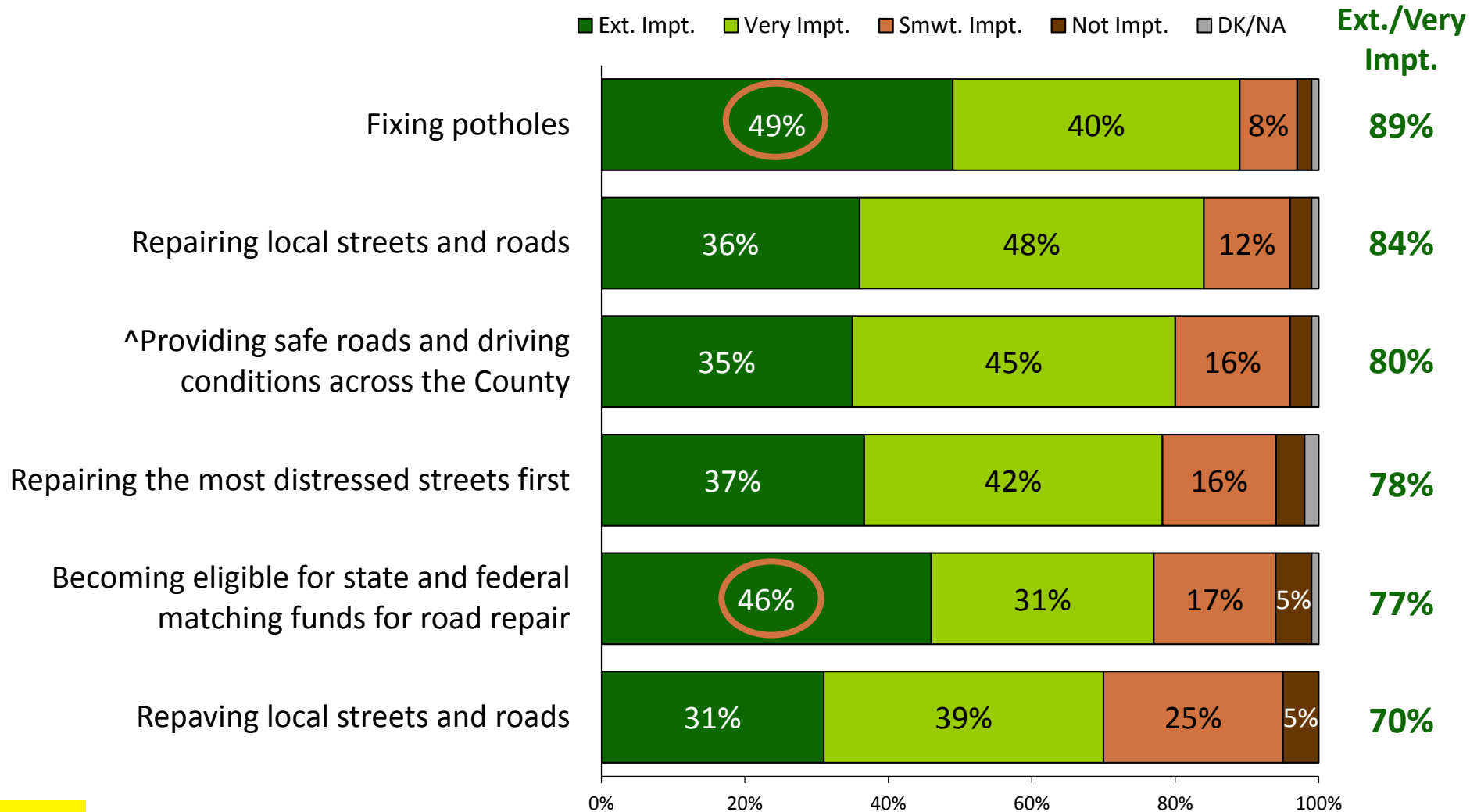
Accountability provisions are important to voters.

ATTACHMENT 1



Potholes, repairs, and safety are extremely important priorities.

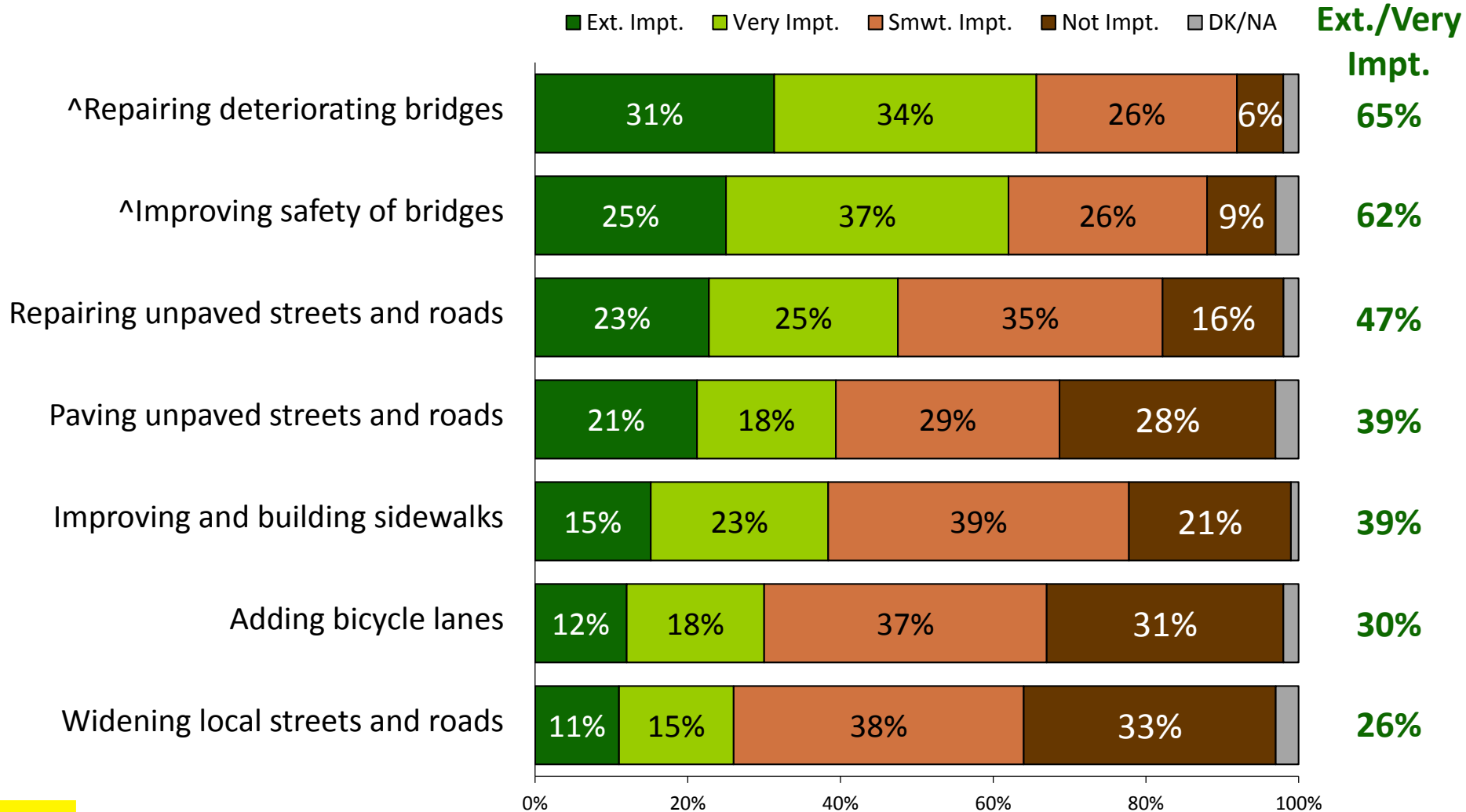
ATTACHMENT 1



Q9. I am going to read you a list of specific projects that could be funded by the measure I have been describing. Recognizing that there frequently is not enough funding for all such projects, please tell me how important it is to you that each project be undertaken. Would you say it is extremely important, very important, somewhat important, or not important? ^Not Part of Split Sample

Bridges, sidewalks, pavements and bike lanes rank as a bit less important.

ATTACHMENT 1



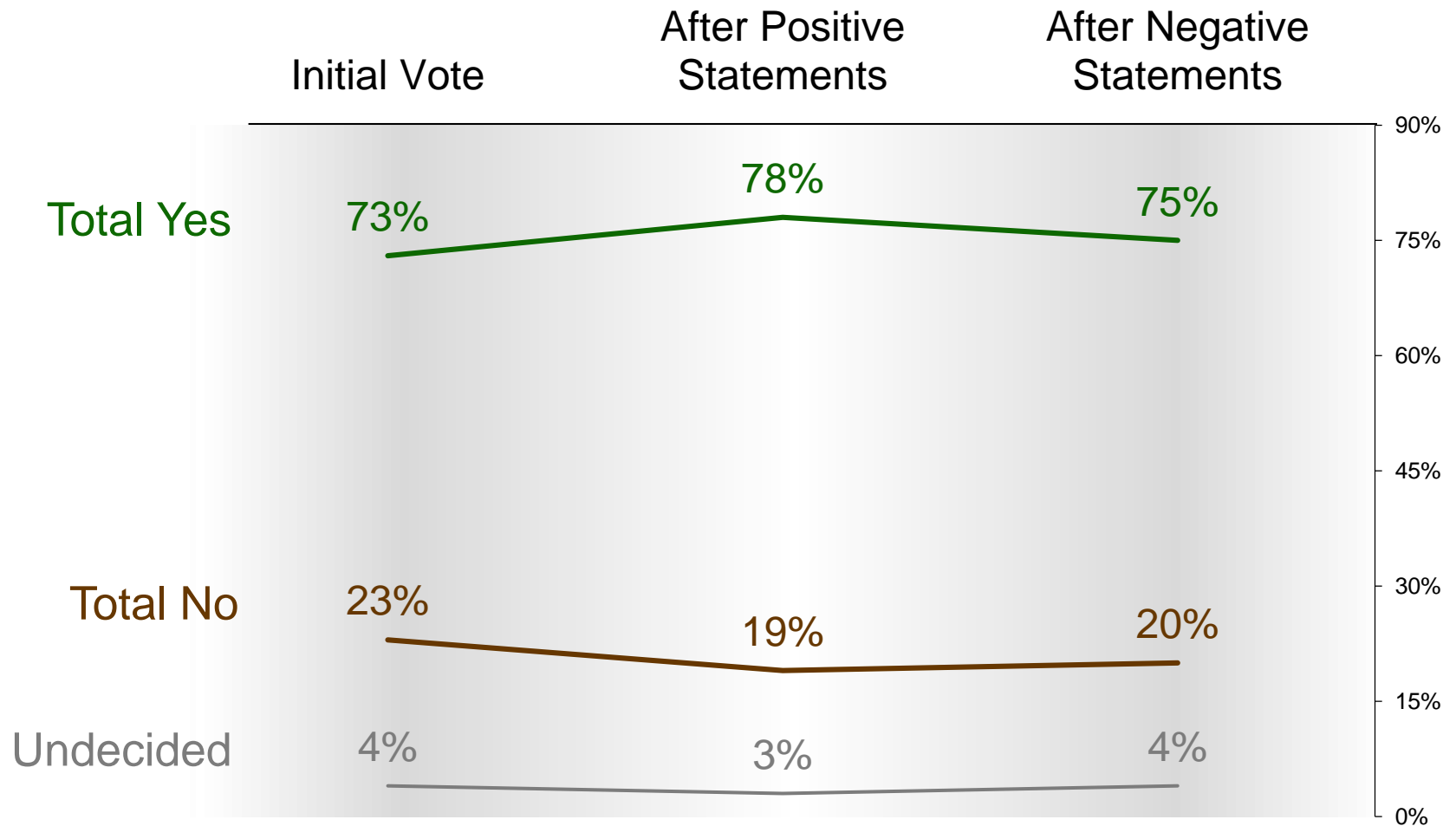
Q9. I am going to read you a list of specific projects that could be funded by the measure I have been describing. Recognizing that there frequently is not enough funding for all such projects, please tell me how important it is to you that each project be undertaken. Would you say it is extremely important, very important, somewhat important, or not important? ^Not Part of Split Sample



Identifying Persuadable Voters

Support for the measure is consistently over the vote threshold.

ATTACHMENT 1





Conclusions

Conclusions

ATTACHMENT 1

- A half-cent sales tax appears viable, with 73% saying they would vote “yes” – 51% definitely yes. Opposition arguments lead to essentially no change in support.
- Nearly 4 in 5 (78%) say they could afford a half-cent sales tax. However, 43% say they have “little confidence” the revenue would be well-spent.
- Jobs and the economy are top concerns in the County, with road conditions in a second tier.
- Annual audits and all money for existing streets and roads are the most appealing potential measure elements.
- Paving unpaved streets, sidewalks and widening roads are the only priorities that are important to **fewer** than 3 in 5 voters. Fixing potholes is “extremely important” for 49%; eligibility for federal funds is “extremely important” to 46%.
- The support messages tested are all highly effective, with significant intensity for “worst in state,” “backlog” and “emergency workers.”
- Echoing the earlier perception that taxes wouldn’t be well-spent, one of the most-effective opposition messages is one saying we can’t trust government to spend wisely – 47% called this convincing. Notably, half (55%) say they **don’t believe** a message that our roads and streets are fine.

For more information, contact:

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Dave@FM3research.com

Miranda Everitt

Miranda@FM3research.com

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Oakland, CA 94612

Phone (510) 451-9521

Fax (510) 451-0384

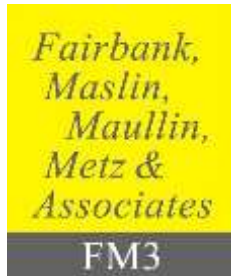
Fairbank, Maslin, Maullin, Metz & Associates – FM3

PUBLIC OPINION RESEARCH & STRATEGY

Appendix B:

2016 Unincorporated Lake County Transportation Survey Topline

FEBRUARY 17-23, 2016



**LAKE COUNTY
TRANSPORTATION ISSUES SURVEY
220-4336-WT
N=367
MARGIN OF SAMPLING ERROR $\pm 5.1\%$ (95% CONFIDENCE INTERVAL)
A/B SPLITS**

Hello, I'm _____ from _____, a public opinion research company. I am not trying to sell you anything nor ask you for a donation. We're conducting a survey about issues that concern people in Lake County and are only interested in your opinions. Please be assured that your participation and responses to this survey will be completely confidential. May I speak to _____? **(MUST SPEAK TO PERSON LISTED. VERIFY THAT THE VOTER LIVES AT THE ADDRESS LISTED, OTHERWISE TERMINATE.)**

- A. Before we begin, I need to know if I have reached you on a cell phone, and if so, are you in a place where you can talk safely? **(IF NOT ON A CELL PHONE, ASK: "Do you own a cell phone?")**

Yes, cell and can talk safely ----- 62%
 Yes, cell and cannot talk safely ----- **TERMINATE**
 No, not on cell, but own one ----- 38%
 No, not on cell and do not own one ----- 0%
(DON'T READ) DK/NA/REFUSED----- TERMINATE

1. First, would you say you generally approve or disapprove of the job that Lake County government is doing? **(IF APPROVE/DISAPPROVE, ASK: "Is that strongly APPROVE/DISAPPROVE or just somewhat?") (RANDOMIZE)**

TOTAL APPROVE----- 56%
 Strongly approve-----6%
 Somewhat approve ----- 50%

TOTAL DISAPPROVE----- 35%
 Somewhat disapprove----- 21%
 Strongly disapprove ----- 14%

(DK/NA)-----9%

(RESUME ASKING ALL RESPONDENTS)**NOW I WOULD LIKE TO ASK YOU ABOUT A MEASURE
THAT MAY APPEAR ON A FUTURE LOCAL BALLOT.**

2. This measure might read as follows:

LAKE COUNTY ROAD REPAIR, SAFETY AND IMPROVEMENT MEASURE. In order to repair, repave, and improve local residential streets and County roads; fix potholes; and improve driver, bicycle, pedestrian, and transit rider safety in the unincorporated areas of Lake County, shall the Board of Supervisors enact a one-half cent sales tax for 20 years, providing about one-point-two million dollars annually, requiring independent audits, oversight by a citizens' committee, public review of spending, and all revenues controlled locally?

If the election were held today, would you vote yes in favor of this measure or no to oppose it? **(IF YES/ NO, ASK:)** "Will you definitely vote **(YES/NO)** or just probably?" **(IF DON'T KNOW/ UNDECIDED, ASK:)** "Are you leaning toward voting yes or no?"

TOTAL YES----- 73%

Definitely yes----- **(ASK Q3)--51 %**

Probably yes----- **(ASK Q3)--18 %**

Undecided, lean yes -----**(ASK Q3)--4 %**

TOTAL NO ----- 23%

Undecided, lean no -----**(ASK Q3)--2 %**

Probably no-----**(ASK Q3)--9 %**

Definitely no----- **(ASK Q3)--12 %**

(DON'T KNOW/NA) -----4 %

(IF YES/NO IN Q2, ASK Q3)

3. In a few words of your own, why would you vote **YES/NO** on this measure? **(OPEN END, RECORD VERBATIM RESPONSE BELOW)**

a. Yes, $N=255$:

Road are bad/need repair -----	40 %
Road/bridge maintenance/infrastructure -----	13 %
Damage to vehicles -----	12 %
1/2 cent is not that much/sales tax -----	11 %
General positive/needed-----	11 %
Tourism-----	9 %
Safety-----	8 %
Good for the community/county-----	8 %
Potholes -----	6 %
As long as money is used properly/for roads -----	5 %
Money is needed/good use of funds -----	5 %
Unpaved roads-----	4 %
Pedestrian/bicycle paths-----	3 %
Provide jobs/economy-----	3 %
Cost effectiveness -----	2 %
Roads ruined by heavy equipment/extra traffic/fire-----	2 %
Commuting/traffic -----	2 %
Need more information -----	1 %
Other -----	3 %
DK/NA/Refused-----	0 %

b. No, $N=78$:

Taxes -----	39 %
Mismanagement/have enough money-----	24 %
Money not used for roads -----	13 %
Roads/infrastructure not being repaired-----	8 %
Find other way to raise funds -----	8 %
General negative-----	6 %
Not interested in bike/pedestrian paths -----	5 %
More important issues-----	4 %
Mistrust -----	3 %
20 years is too long -----	1 %
Too much money-----	1 %
Need more information -----	1 %
Other -----	5 %
DK/NA/Refused-----	2 %

(RESUME ASKING ALL RESPONDENTS)

4. Now, suppose the county transportation sales tax measure that I described would enact a one-cent sales tax instead of a one-half cent sales tax. If that were the case, would you vote yes to support it, or no to oppose it? **(IF YES/NO, ASK:)** "Is that definitely **(YES/NO)** or just probably?" **(IF UNDECIDED, ASK:)** "Well, do you lean towards voting yes or no?"

TOTAL YES ----- 50%

Definitely yes----- 33 %

Probably yes----- 12 %

Undecided, lean yes-----6 %

TOTAL NO----- 41%

Undecided, lean no-----4 %

Probably no----- 12 %

Definitely no----- 26 %

(DON'T KNOW/NA)-----8%

(RESUME ASKING ALL RESPONDENTS)

5. Could you afford a sales-tax increase of _____ ?

YES **NO** **(DK/NA)**

[]a. One-half cent----- 78 % ----- 15 % -----7 %

[]b. One-cent ----- 63 % ----- 28 % -----9 %

6. If your local county sales tax was increased, would you have a great deal of confidence, some confidence, or little confidence that the revenue would be well spent?

Great deal of confidence-----8 %

Some confidence----- 45 %

Little confidence ----- 43 %

(DK/NA)-----4 %

NOW I WOULD LIKE TO ASK ABOUT SOME OTHER ISSUES FACING YOUR COMMUNITY.

7. Here is a list of issues facing Lake County. After you hear each issue, please tell me whether you consider it to be an extremely serious problem, a very serious problem, a somewhat serious problem or not too serious a problem for people who live in Lake County. If you don't have an opinion on a particular item, you can tell me that too. **(RANDOMIZE)**

	<u>EXT SER PROB</u>	<u>VERY SER PROB</u>	<u>SMWT SER PROB</u>	<u>NOT TOO SER A PROB</u>	<u>(DK/ NA)</u>	<u>EXT/ VERY</u>
(SPLIT SAMPLE A ONLY)						
[]a. (T) The condition of the local economy-----	35%	36%	19%	4%	6%	71%
[]b. (T) The availability of good-paying jobs for people who want to work-----	48%	34%	11%	2%	5%	82%
[]c. (T) The condition of incorporated city streets -----	26%	28%	33%	9%	5%	54%
[]d. (T) The amount you pay in local taxes-----	3%	16%	24%	48%	9%	19%
[]e. (T) The condition of county roads -----	28%	36%	30%	5%	1%	64%
(SPLIT SAMPLE B ONLY)						
[]f. (T) Traffic congestion on incorporated city streets and county roads-----	4%	6%	18%	69%	3%	9%
[]g. (T) Waste and inefficiency in local government----	17%	28%	25%	15%	16%	45%
[]h. (T) The safety of your city streets and county roads-----	16%	27%	35%	19%	3%	42%
[]i. Crime in general -----	16%	32%	38%	11%	3%	48%
[]j. (T) The condition and quality of local parks -----	6%	10%	29%	48%	7%	16%

(RESUME ASKING ALL RESPONDENTS)

MY NEXT QUESTION IS ABOUT THE MEASURE I DESCRIBED BEFORE, WHICH WOULD CREATE A ONE-HALF CENT SALES TAX TO FUND THE REPAVING AND MAINTENANCE OF STREETS AND ROADS IN UNINCORPORATED LAKE COUNTY

8. I am going to mention some different potential aspects of this ballot measure. After hearing each one, please tell me whether knowing it was a part of this ballot measure would make you more likely or less likely to vote for the measure. **(IF MORE/LESS LIKELY, ASK:)** “Is that much **MORE/LESS** likely or just somewhat?” **(RANDOMIZE)**

	<u>MUCH MORE LIKELY</u>	<u>SMWT MORE LIKELY</u>	<u>SMWT LESS LIKELY</u>	<u>MUCH LESS LIKELY</u>	<u>(NO DIFF)</u>	<u>(DK/ NA)</u>	<u>TOTAL MORE LIKELY</u>	<u>TOTAL LESS LIKELY</u>
[]a. (T) All the money will be used to repair, maintain and improve <u>existing</u> streets and roads -----	40%	30%	7%	6%	13%	3%	70%	13%
(SPLIT SAMPLE A ONLY)								
[]b. (T) All expenditures will be audited annually by an independent auditor -----	34%	38%	7%	2%	15%	4%	72%	9%
[]c. (T) A citizens’ oversight committee will oversee the program -----	21%	40%	9%	4%	18%	8%	61%	13%
[]d. The tax could only be ended by voters -----	23%	27%	11%	9%	21%	10%	50%	20%
(SPLIT SAMPLE B ONLY)								
[]e. (T) By law, the cities and County will be required to use this money for transportation <u>only</u> and not for other programs -----	34%	25%	8%	10%	16%	7%	59%	19%
[]f. (T) <u>None</u> of the money will be used to fund public transit -----	20%	17%	13%	18%	24%	7%	37%	32%
[]g. (T) The tax could be structured to end automatically after 10 years -----	31%	28%	5%	7%	27%	2%	59%	12%
(ASK ALL RESPONDENTS)								
[]h. This measure will <u>not</u> fund the paving of any unpaved roads ----	12%	14%	17%	27%	21%	9%	27%	43%

(RESUME ASKING ALL RESPONDENTS)

9. Next, I am going to read you a list of specific projects that could be funded by the measure I have been describing. Recognizing that there frequently is not enough funding for all such projects, please tell me how important it is to you that each project be undertaken. Would you say it is extremely important, very important, somewhat important, or not important? **(RANDOMIZE)**

	<u>EXT</u> <u>IMPT</u>	<u>VERY</u> <u>IMPT</u>	<u>SMWT</u> <u>IMPT</u>	<u>NOT</u> <u>IMPT</u>	<u>(DK/</u> <u>NA)</u>	<u>EXT/</u> <u>VERY</u>
(SPLIT SAMPLE A ONLY)						
[]a. (T) Widening local streets and roads -----	11 %	15 %	38 %	33 %	3 %	26 %
[]b. (T) Repairing local streets and roads -----	36 %	48 %	12 %	3 %	1 %	84 %
[]c. (T) Paving unpaved streets and roads -----	21 %	18 %	29 %	28 %	3 %	39 %
[]d. Adding bicycle lanes-----	12 %	18 %	37 %	31 %	2 %	30 %
[]e. (T) Fixing potholes -----	49 %	40 %	8 %	2 %	1 %	89 %

(SPLIT SAMPLE B ONLY)

[]f. (T) Repaving local streets and roads-----	31 %	39 %	25 %	5 %	0 %	70 %
[]g. (T) Repairing unpaved streets and roads-----	23 %	25 %	35 %	16 %	2 %	47 %
[]h. (T) Repairing the most distressed streets first-----	37 %	42 %	16 %	4 %	2 %	78 %
[]i. Becoming eligible for state and federal matching funds for road repair-----	46 %	31 %	17 %	5 %	1 %	77 %
[]j. Improving and building sidewalks -----	15 %	23 %	39 %	21 %	1 %	39 %

(ASK ALL RESPONDENTS)

[]k. (T) Repairing deteriorating bridges -----	31 %	34 %	26 %	6 %	2 %	65 %
[]l. (T) Providing safe roads and driving conditions across the County -----	35 %	45 %	16 %	3 %	1 %	80 %
[]m. Improving safety of bridges -----	25 %	37 %	26 %	9 %	3 %	62 %

(RESUME ASKING ALL RESPONDENTS)

10. Now I am going to read you a list of statements that support the transportation ballot measure I have been describing. After hearing each statement, please tell me whether you find it very convincing, somewhat convincing, or not convincing as a reason to vote yes on this measure. If you do not believe the statement, please tell me that too. **(RANDOMIZE)**

	<u>VERY</u> <u>CONV</u>	<u>SMWT</u> <u>CONV</u>	<u>NOT</u> <u>CONV</u>	<u>DON'T</u> <u>BEL</u>	<u>(DK/NA)</u>	<u>VERY/</u> <u>SMWT</u>
(SPLIT SAMPLE A ONLY)						
[]a. (T - POPULATION GROWTH) The local population will continue to increase over the next 20 years. If we don't pass this measure, local roads will deteriorate even faster under the pressure of this growth. -----	22 %	41 %	25 %	9 %	3 %	63 %
[]b. (EMERGENCY WORKERS) Police, paramedics, and firefighters strongly support this measure because it will reduce the response time for emergency workers to reach people who need help.-----	36 %	34 %	15 %	12 %	3 %	70 %

	<u>VERY CONV</u>	<u>SMWT CONV</u>	<u>NOT CONV</u>	<u>DON'T BEL</u>	<u>(DK/NA)</u>	<u>VERY/ SMWT</u>
(SPLIT SAMPLE A CONTINUED)						
[]c. (PROPERTY VALUE) Safe roads are a big part of maintaining property values, but no major work has been done on a residential street for 10 years now. By improving streets and roads, this measure will help to maintain the value of our homes. -----	26%	47%	16%	8%	4%	73%
(SPLIT SAMPLE B ONLY)						
[]d. (BACKLOG) Delaying maintenance and repairs to our roads only increases costs in the long run. This measure will help repair roads while construction costs are still affordable. -----	36%	38%	19%	5%	1%	74%
[]e. (T - WORST IN STATE) A recent study found that we have among the worst pavement conditions in the state. This measure will go a long way in helping us improve our roads so that all residents will benefit. -----	38%	36%	16%	8%	2%	74%
[]f. (T - ACCOUNTABILITY) This measure has tough financial accountability provisions including an annual audit by an independent agency. -----	27%	41%	16%	12%	4%	68%
(ASK ALL RESPONDENTS)						
[]g. (VALLEY FIRE) Equipment and truck traffic as a result of last fall's Valley Fire caused damage to roads throughout the county. This measure will help repair our streets and roads, while better-preparing them for future natural disaster. -----	32%	36%	19%	11%	2%	68%
[]h. (COUNTY SAFETY) Without this measure, traffic safety problems in Lake County will continue to increase with increased maintenance costs for our own cars as well as for the bus system. -----	32%	40%	20%	6%	2%	73%
[]i. (COUNTY NON-RESIDENTS) Because our area generates so much of its revenue from tourism, a significant percentage of this sales tax will be paid for by outside visitors, not residents. -----	18%	34%	29%	15%	3%	52%

(RESUME ASKING ALL RESPONDENTS)

11. Now that you've heard more about it, let me ask you about this measure again. It would create a one-half cent sales tax to fund the repaving and maintenance of streets and roads in unincorporated Lake County. If the election were held today, would you vote "yes" in favor of this measure or "no" to oppose it? **(IF YES/NO, ASK:)** "Will you definitely vote **(YES/NO)** or just probably?" **(IF UNDECIDED, ASK:)** "Are you leaning toward voting yes or no?"

TOTAL YES ----- 78%

Definitely yes----- 59%

Probably yes----- 15%

Undecided, lean yes-----3%

TOTAL NO----- 19%

Undecided, lean no-----1%

Probably no-----4%

Definitely no----- 14%

(DON'T KNOW/NA)-----3%

12. Now I am going to read you a list of statements that oppose the transportation ballot measure I have been describing. After hearing each statement, please tell me whether you find it very convincing, somewhat convincing, or not convincing as a reason to vote no on such a measure. If you do not believe the statement, please tell me that too. **(RANDOMIZE)**

	<u>VERY CONV</u>	<u>SMWT CONV</u>	<u>NOT CONV</u>	<u>DON'T BEL</u>	<u>(DK/NA)</u>	<u>VERY/ SMWT</u>
[]a. (ANTI-TAX) State income and sales taxes just went up, and the state is about to ask for more taxes on everything from cigarettes to bottled water. It's just too much. Enough is enough. No new taxes. -----	20%	22%	38%	16%	4%	42%
(SPLIT SAMPLE A ONLY)						
[]b. (T - PUBLIC EMPLOYEE SALARIES) Money from this measure will ultimately go to higher salaries and pensions for local bureaucrats. Local government should scale back high-cost employee pensions and benefits instead of raising taxes. -----	19%	28%	26%	23%	4%	46%
[]c. (INEFFECTIVE) Regardless of whether we really need this measure, we just can't trust the local government to spend it wisely.-----	19%	28%	29%	17%	7%	47%
[]d. (T - TOURISTS) It is unfair to use a sales tax that targets tourists. This measure will drive out-of-town visitors away from our communities and hurt local businesses. -----	2%	12%	36%	48%	2%	14%

	<u>VERY CONV</u>	<u>SMWT CONV</u>	<u>NOT CONV</u>	<u>DON'T BEL</u>	<u>(DK/NA)</u>	<u>VERY/ SMWT</u>
(SPLIT SAMPLE B ONLY)						
[]e. (T - NOT NECESSARY) This measure is simply not necessary. The condition of local streets and roads is not that bad. -----	6%	10%	27%	55%	1%	16%
[]f. (HURTS POOR) A sales tax increases the price of nearly everything we buy, which hurts the poor more than it does the rich. We should find a fairer way to raise the money we need for street improvements. -----	14%	32%	30%	22%	2%	46%
[]g. (NO AGAIN) Voters have already said “no” to a measure like this in the past. Local elected officials need to find a way to tighten their belts and cut wasteful expenditures rather than asking voters for money again and again. -----	19%	32%	33%	14%	2%	51%

13. Sometimes over the course of a survey like this, people change their minds, and sometimes they do not. Let me ask you about this measure one last time. It would create a one-half cent sales tax to fund the repaving and maintenance of streets and roads in unincorporated Lake County. If the election were held today, would you vote “yes” in favor of this measure or “no” to oppose it? **(IF YES/NO, ASK:)** “Will you definitely vote **(YES/NO)** or just probably?” **(IF UNDECIDED, ASK:)** “Are you leaning toward voting yes or no?”)

TOTAL YES ----- 75%
 Definitely yes----- 57%
 Probably yes----- 15%
 Undecided, lean yes----- 3%

TOTAL NO ----- 20%
 Undecided, lean no----- 1%
 Probably no----- 5%
 Definitely no----- 15%

(DON'T KNOW/NA) ----- 4%

THESE QUESTIONS ARE FOR CLASSIFICATION PURPOSES ONLY.
--

14. (T) How many people in your household commute to work or school as the driver of a vehicle at least 3 days a week?

1 -----	27 %
2 -----	31 %
3 -----	5 %
4 or more-----	6 %
None -----	31 %
(DON'T READ) DK/NA -----	1 %

15. I don't need to know the exact amount, but I'm going to read you some categories for household income. Would you please stop me when I have read the category indicating the total combined income for all the people in your household before taxes in 2015?

\$25,000 and under-----	15 %
\$25,001 - \$50,000-----	23 %
\$50,001 - \$75,000-----	19 %
\$75,001 - \$100,000-----	19 %
More than \$100,000-----	15 %
(DON'T KNOW/REFUSED) -----	9 %

THANK AND TERMINATE

GENDER:

Male ----- 47 %
Female----- 51 %
Prefer not to answer -----3 %

PARTY REGISTRATION:

Democrat----- 39 %
Republican ----- 31 %
No Party Preference ----- 23 %
Other-----7 %

FLAGS

P12----- 51 %
G12 ----- 77 %
G13 ----- 18 %
P14 ----- 61 %
G14 ----- 78 %
BLANK ----- 11 %

PERMANENT ABSENTEE

Yes----- 73 %
No----- 27 %

AGE

18-29 ----- 7 %
30-39 ----- 8 %
40-49 ----- 11 %
50-64 ----- 34 %
65-74 ----- 28 %
75+ ----- 12 %

SUPERVISOR DISTRICT

1 ----- 24 %
3 ----- 27 %
4 ----- 19 %
5 ----- 30 %

HOUSEHOLD PARTY TYPE

Dem 1 ----- 20 %
Dem 2+ ----- 11 %
Rep 1----- 12 %
Rep 2+ ----- 14 %
Ind 1+ ----- 18 %
Mix----- 24 %

SURVEY MODE

Online----- 89 %
Phone ----- 11 %

Appendix C:

Certificates of Insurance



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

9/1/2015

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER OKane and Tegay Insurance Brokers P.O. Box 27556 San Francisco CA 94127		CONTACT NAME: Colleen Bradley PHONE (A/C, No, Ext): (415) 242-8777 FAX (A/C, No): (415) 661-2540 E-MAIL ADDRESS:	
INSURED FAIRBANK MASLIN MAULLIN METZ & ASSOCIATES 12100 Wilshire Blvd. Suite 350 Los Angeles CA 90025		INSURER(S) AFFORDING COVERAGE INSURER A: Sentinel Insurance Company LTD INSURER B: INSURER C: INSURER D: INSURER E: INSURER F:	
		NAIC # 11000	

COVERAGES

CERTIFICATE NUMBER: 2015-2016

REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL SUBR INSD WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input type="checkbox"/> LOC OTHER:		578BADF5491	6/24/2015	6/24/2016	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Per occurrence) \$ 1,000,000 MED EXP (Any one person) \$ 10,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMP/OP AGG \$ 2,000,000 Policy Fee \$
A	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS		578BADF5491	6/24/2015	6/24/2016	COMBINED SINGLE LIMIT (Per accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
A	<input checked="" type="checkbox"/> UMBRELLA LIAB <input type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> DED <input checked="" type="checkbox"/> RETENTION \$ 10,000		578BADF5491	6/24/2015	6/24/2016	EACH OCCURRENCE \$ 2,000,000 AGGREGATE \$ 2,000,000 \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N <input type="checkbox"/> N/A				PER STATUTE <input type="checkbox"/> OTH-ER <input type="checkbox"/> E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

CERTIFICATE HOLDER**CANCELLATION**

COPY FOR CUSTOMER

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

M Roggetti/COLLEE

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CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

4/12/2016

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER OKane and Tegay Insurance Brokers P.O. Box 27556 San Francisco CA 94127		CONTACT NAME: Colleen Bradley PHONE (A/C, No, Ext): (415) 242-8777 FAX (A/C, No): (415) 661-2540 E-MAIL ADDRESS: cbradley@okaneins.com	
INSURED Fairbank, Maslin, Maullin, Metz & Associates FM3 and 2425 Colorado Avenue Suite 180 Santa Monica CA 90404		INSURER(S) AFFORDING COVERAGE INSURER A: AXIS Insurance Company INSURER B: INSURER C: INSURER D: INSURER E: INSURER F:	

COVERAGES

CERTIFICATE NUMBER: 2016-2017

REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN. THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL SUBR INSD WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:					EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COM/OP AGG \$ \$
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> NON-OWNED AUTOS					COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
	UMBRELLA LIAB EXCESS LIAB DED RETENTION \$					EACH OCCURRENCE \$ AGGREGATE \$ \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N <input type="checkbox"/> N/A				PER STATUTE OTH. FR E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
A	Professional Liability		MCW000239121601 Ded. \$25,000 each Claim	1/10/2016	2/10/2017	Each Claim \$1,000,000 Annual Aggregate \$1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

CERTIFICATE HOLDER**CANCELLATION**

COPY FOR INSURED

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

M Poggetti/COLLEE

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CITY OF LAKEPORT

PROPOSAL TO CONDUCT PUBLIC OPINION RESEARCH ABOUT A POSSIBLE REVENUE BALLOT MEASURE

JD FRANZ RESEARCH, INC.
Public Opinion and Marketing Research



QUESTIONS. ANSWERS. RESULTS.

Jennifer D. Franz, Ph.D.
President

April 2016

SUBMITTAL FORMS

PROPOSAL SUBMITTAL SUMMARY

The Proposer declares that she or he has carefully examined the Request for Proposals, which is hereby made a part of this proposal; is thoroughly familiar with its contents; is authorized to represent the proposing firm; and agrees to perform the specified work for the following cost quoted in full:

Public Opinion Research	\$17,500
-------------------------	----------

☒ Certificate of insurance attached; insurance company's A.M. Best rating: A.

Insurance Summary in Lieu of Certificates Per Pre-Proposal Teleconference: All of the insurance JD Franz Research carries is through The Hartford, which has an A.M. Best rating of A. Our General and Medical Liability policy has a \$2,000,000 limit per claim with an aggregate of \$4,000,000. The deductible is \$1,000. Our Professional Liability (Errors and Omissions) policy has a \$1,000,000 limit per claim with an aggregate of \$1,000,000. The deductible is \$2,500. Our Workers Compensation policy, also through The Hartford, is administered by our payroll service, which is Prime Pay. None of these policies has any self-insured retention. We can provide certificates naming the City of Lakeport as an additional insured within 24 hours or less from the time a contract is awarded.

Firm Name and Address

JD Franz Research, Inc.
1900 Point West Way, Suite 276
Sacramento, CA 95815
Contact Jennifer D. Franz
Email jdfranz@jdfranz.com Phone 916.646.8777

REFERENCES

Number of years engaged in providing the services included within the scope of the Request for proposals under the present business name: 35 years.

Provide at least three references for services performed by your firm that demonstrate your ability to provide the services included with the workscope. Attach additional pages if required. The City reserves the right to contact each of the references listed for additional information regarding your firm's qualifications.

Reference No. 1

Customer Name	City of Sacramento
Contact Individual	Erin Treadwell
Telephone Number	916. 808.4934
Email Address	ETreadwell@cityofsacramento.org
Street Address	2812 Meadowview Road, Building 1
City, State, Zip Code	Sacramento, CA 95832
Description of services provided including contract amount, when provided and project outcome	<p>In July of 2014, conducted a telephone survey of 640 Sacramento residential customers or their representatives who pay the City of Sacramento for recycling and solid waste collection. The sample included 80 interviews per City Council District. The contract amount was \$23,000.</p> <p>The primary purposes of the survey were to determine whether those who pay for recycling and solid waste collection believe that the present every-other-week recycling service is adequate and the extent to which they would be willing to pay an additional charge to return to weekly collection.</p> <p>Specific areas of inquiry included awareness and use of City recycling and solid waste services, adequacy of the recycling service, willingness to pay an additional \$1.50 per month for weekly recycling pick-up, extent to which extending the "leaf season" street green waste collection into October would be helpful, willingness to give up one annual junk pick-up appointment for street green waste collection in October, satisfaction with the City's services in terms of garbage, recycling, green or yard waste, and junk pick-up, and ways in which residents get information about the City's garbage and recycling services. Survey results were presented to the City Council, which voted to continue the existing level of service on that basis. For the City, this was the desired outcome.</p>

Reference No. 2

Customer Name	City of Atascadero
Contact Individual	Rachelle Rickard
Telephone Number	805.470.3400
Email Address	rrickard@atascadero.org
Street Address	6907 El Camino Real
City, State, Zip Code	Atascadero, CA 93422
Description of services	In March of 2014, conducted a telephone survey of 402

provided including contract amount, when provided and project outcome	<p>high-propensity voters. The primary purpose of the survey was to determine the extent to which those most likely to vote would support a proposed increase in the Atascadero sales tax rate. The contract amount was \$18,500.</p> <p>Specific areas of inquiry included assessments of the quality of life in Atascadero, ratings of the job the City's government is doing of managing City affairs and services, perceptions of the level of City taxes and fees, awareness of the City's sales tax rate, levels of support for the proposed tax increase, reasons for support or opposition, effect of various situations on levels of support, priority of uses for the increased revenue, potential effect of a school district bond reauthorization measure on the same ballot, and effect of possible uses for the increased revenue on levels of support. As the survey had predicted, the subsequent ballot measure passed.</p>
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Reference No. 3

Customer Name	Citygate Associates on Behalf of The City of Pinole
Contact Individual	Dave DeRoos
Telephone Number	916-458-5100
Email Address	dderoos@citygateassociates.com
Street Address	2250 East Bidwell Street, Suite 100
City, State, Zip Code	Folsom, CA 95630
Description of services provided including contract amount, when provided and project outcome	<p>In May of 2004, conducted a telephone survey of 413 completed interviews with registered voters in the City of Pinole. Again, in June of 2006, conducted another telephone survey of 416 registered voters. The contract amount for the 2004 survey was \$14,750, and the contract amount for the 2006 survey was \$12,100.</p> <p>The primary purpose of the 2004 survey was to determine whether voters would support an extension of the Utility Users Tax if it appeared on the November ballot. Other key areas of inquiry were the tax rate voters would accept and the length of an extension they would favor. The primary purpose of the 2006 survey was to determine whether voters would support a half-cent increase in Pinole's sales tax. Both tax measures were successful, as the surveys had predicted.</p>

QUALIFICATIONS

Firm Introduction

JD Franz Research is a full-service public opinion, public policy, and marketing research firm located in Sacramento, California. In existence since January of 1981, the firm is recognized throughout the state for the quality of its work and its responsiveness to clients' needs. Most governmental and business entities consider it to be one of the premier firms of its type in California.

Twice, the firm won national quality research product awards, first for a handbook on conducting public opinion surveys and second for a report on the results of its public opinion research. The firm has conducted literally thousands of public opinion and marketing research surveys during its 35 years of operation, including telephone interviews, in-person interviews, and mail questionnaire surveys. Focus groups conducted by the firm number in the hundreds.

In 1984, JD Franz Research began to develop a specialization in research for municipal governments. Cities for which we have conducted surveys include Antioch, Atascadero, Brentwood, Campbell, Chino Hills, Chula Vista, Corona, Dinuba, El Cerrito, Emeryville, Escondido, Galt, Lakewood, Lodi, Los Angeles, Newark, Modesto, Oxnard, Palm Springs, Pinole, Placerville, Pleasanton, Rancho Cordova, Redwood City, Roseville, Sacramento, San Carlos, San Diego, San Jose, San Lorenzo, San Mateo, San Ramon, Santa Clara, Santa Monica, Santa Rosa, Stockton, Tracy, Vacaville, Walnut Creek, and Woodland. Many of these cities have commissioned multiple projects.

In addition, we have conducted series of focus groups on municipal government issues for the League of California Cities and for the cities of Chino Hills, Emeryville, Los Angeles, Modesto, Pleasanton, and Sacramento. The results of the research for the League were published in *Western City* magazine under the title, "Have You Ever Watched Them Fill a Pothole?" Our President also conducted a training session on polling and data analysis and presented the results of a membership survey at the League's annual conference.

Cities for which we have conducted research on taxation and related ballot measures include Chino Hills, El Cerrito, Lakewood, Oxnard, Palm Springs, Pinole, Pleasanton, and San Carlos. Three municipalities for which we have undertaken pertinent surveys more specifically about potential sales tax elections are Atascadero, Palm Springs, and Pinole. In all of these cases, our studies correctly predicted the electoral outcomes.

Personnel

The two key personnel we would assign to the proposed project are Dr. Jennifer D. Franz, the President of JD Franz Research, and Heather Taylor Holbert, the firm's Vice President and Data Analysis Manager. Brief biographies of these individuals follow; resumes are provided on the next two pages. We are not proposing to use any subconsultants on this engagement.

The **President** of JD Franz Research, **Dr. Jennifer D. Franz**, has over 40 years experience in public opinion and marketing research and holds a Ph.D. in the field. Dr. Franz received her doctorate with specializations in Public Policy Formation, Political/Consumer Behavior, and Survey Research Methodology from the University of California at Berkeley in 1991. She also holds an M.A. in Sociology of Education with a research emphasis from Stanford University (1974) and a B.A. in Urban Studies from Antioch College/West (1973).

Prior to founding her firm in 1981, Dr. Franz served in a variety of research management and consulting positions for both state and local government in California. After her arrival in Sacramento in 1977, having completed a two-year project for a consortium of colleges and universities in the greater Monterey Bay Area, she served as a consultant to, among others, the California State Department of Finance and the Office of the Legislative Analyst.

Dr. Franz is the published author of two methodological guidebooks on the conduct of surveys as well as a wide variety of journal articles and conference presentations. She also taught research methods for 22 years for the University of California at Davis Extension programs in Marketing and Public Relations and for 14 years in the College of Business Administration at California State University, Sacramento.

The **Vice President and Data Analysis Manager, Heather Taylor Holbert**, has been with the firm as its Data Analysis Manager for close to 22 years; she was appointed Vice President of the firm in 2011. Her primary responsibilities include overseeing data entry, data cleaning, data analysis, and assistance with report preparation. She also supervises three Data Entry Clerks.

Ms. Taylor Holbert holds a B.A. in Business Administration from California State University, Sacramento. She has also completed the coursework for an M.A. in Sociology from the same institution and has pursued advanced training in the data analytic software SPSS and in multivariate statistics since joining the firm.

JENNIFER D. FRANZ

President and CEO

EMPLOYMENT HISTORY

1981 – Present	President and CEO JD Franz Research, Inc.
1979 - 1981	Project Director Chancellor's Office, California Community Colleges
1977 - 1978	Special Consultant California State Department of Finance California Advisory Council on Vocational Education
1975 - 1977	Project Director Hartnell College Salinas, California
1974 - 1975	Grant Preparation Coordinator Far West Laboratory for Educational Research San Francisco, California
1973 - 1974	Consultant and Research Coordinator Alum Rock Union Elementary School District San Jose, California

EDUCATION

1991	Ph.D. in Education Policy Studies, University of California at Berkeley Specializations in Public Policy Formation, Political and Consumer Behavior, and Survey Research Methodology Advanced to Candidacy With Distinction, 1991 Regents' Scholar, 1987-1988
1974	M.A. in Sociology of Education, Stanford University Emphasis on Educational Research Stanford University
1973	B.A. in Urban Studies, Antioch College West

PROFESSIONAL ASSOCIATIONS AND BOARDS

American Association for Public Opinion Research
American Marketing Association
Sacramento Philharmonic Orchestra

HEATHER TAYLOR HOLBERT

Vice President and Data Analysis Manager

SIGNIFICANT EXPERIENCE

JD Franz Research, Sacramento: January 1995 to Present

Started as an Intern, learning all aspects of organizational operations. Duties included interviewing, coding, transcribing, programming, key data entry, data cleaning, data analysis, and assistance in preparing reports. Increasing responsibilities included leading teams of interviewers on intercept projects and supervising interviewing shifts.

In July of 1995, promoted to **Data Analysis Manager** in a competitive field of ten internal and external candidates. In 2011, promoted to **Vice President** and Data Analysis Manager. Data analysis responsibilities include programming, data cleaning, data analysis, and report preparation. Corporate responsibilities include senior-level involvement in research planning and management, marketing, and finance.

Complex analytical tasks have included extensive calculations for:

- External and internal quality evaluations of a private corporations' customer service, including combining of variables, combining of scores from various sources, and the development and use of complex weighting formulas.
- Travel behavior for over 20,000 airline passengers for the Metropolitan Transportation Commission. Tasks included combining multiple databases to compile origin and destination information, the use of complex weighting formulas, and analysis of travel modes.

More standard survey analysis to date encompasses over 800 telephone, mail, and in-person studies for both private and public organizations.

EDUCATION & TRAINING

Advanced training in the data analytic software SPSS and in multivariate statistics.

1998 to 2000: California State University, Sacramento, Coursework for Master of Arts in Sociology

1995: California State University, Sacramento: Bachelor of Science in Business Administration, Concentration in Strategic Management

SKILLS

- Excellent written and oral communications skills
- Enthusiastic approach to all assigned tasks
- Total commitment to customer service and responsiveness to clients' needs
- Active interest in learning and ongoing education
- Computer Skills (SPSS for Windows, Microsoft Word, Microsoft Excel, PowerPoint, Harvard Graphics, ZipSurvey, and QuickBooks Pro).

WORK PROGRAM

Research Strategy

Method

The approach we are recommending for conducting the proposed survey is a telephone poll of a random sample of registered voters with a high propensity to participate in the upcoming fall election. As a general rule, such a strategy is most likely to obtain a representative sample of those voters who will have an effect on the outcome of the anticipated ballot measure.

Interview Length

Although many polls on political topics can be quite lengthy, the average interview we are proposing would be approximately twelve minutes long. Experience tells us that we can obtain the information the City of Lakeport it is requesting for its ballot measure planning in this amount of time unless a large number of alternatives need to be tested. This also includes obtaining voters' reactions to a few possible approaches to ballot language that could be used if the City decides to proceed with an actual revenue measure.

In addition, there is evidence that longer surveys often suffer from lack of representativeness, require weighting that is both controversial and not always successful, and can also irritate constituents. Finally, as the proposed length is in our estimation adequate to the City's purposes, it seems reasonable not to load on a variety of "nice to know" rather than "need to know" queries in order to conserve scarce resources.

Questionnaire Construction

The interview itself will consist primarily of closed-ended questions for ease of asking and answering. It will also, however, include two open-ended questions in order to permit voters to express themselves freely and in their own words. Responses to these questions will be formally coded to avoid an intrusion of interviewer bias or lack of reliability.

Sample Size

The sample size we would normally recommend for this research is 400 completed interviews, which is fairly standard for this type of study. In most situations, a sample size of this magnitude will yield a margin of error of ± 5 percent at the 95 percent confidence level, which is widely viewed as being normative in public opinion research.

The reason for this is because most polls have target populations statisticians refer to as "infinitely large" (25,000 or more) to which the calculation leading to the sample size of 400 applies. In the case of Lakeport, however, with a target

audience of approximately 2,700 registered voters, it is possible to use a further statistical formula called the “finite population correction factor” to reduce the sample size and still achieve the same margin of error. This saves time, effort, and budget.

Using this formula, we find that the sample size necessary to achieve a margin of error of ± 5 percent at the 95 percent confidence level among Lakeport voters is 336 completed interviews. The only real reason a larger sample size would be required is if extensive subgroup analysis were necessary or desired. Given that the City is unlikely to be able to mount different outreach efforts for different subgroups of the population, we suspect that such analysis is not likely to be particularly useful.

Overall Approach

Our overall approach to survey research projects is to work cooperatively and in consultation with our clients. There are two reasons for this philosophy.

First, we firmly believe that cooperative and consultative working relationships not only yield smoother project processes, but also higher quality project outcomes. Although we are widely recognized as being an exceptionally qualified research firm, we know that the more people who are examining an issue or problem, the more creative and plentiful the possible resolutions are going to be. In short, while we will be doing the work, we want our clients to be part of a “thinking team.”

Second, although we are technical experts in all aspects of survey research and have extensive experience in conducting studies for California cities, including a number concerning taxation, we recognize that we can never understand the subject matter of our projects as well as the organizations we serve. Here, we must ultimately rely on the experience and expertise of our clients, their understanding of their concerns and needs, and their willingness and ability to communicate goals, objectives, and desired outcomes to us. Again, the almost invariable result is smoother processes and superior products.

Given this overall approach, we put a great deal of emphasis on cooperative research planning. To this end, we are proposing that we have an in-depth preliminary planning meeting with key City representatives at the beginning of the project to consider the design of the survey, a second meeting to consider the results of the research and their implications, and a third meeting during a public session to present the survey findings along with our conclusions and recommendations. In this way, we believe we can ensure that the study addresses all of the City's information needs as outlined in the Request for Proposals, does not ask constituents for information or input the City cannot utilize, and leads to truly actionable results.

Plan of Work

The following sections of our proposal detail the specific worksteps we are proposing to undertake in order to design and implement the survey and develop the information the City needs to make effective decisions.

➤Task 1: Conduct Initial Planning Meeting

To initiate the project, we propose to meet with representatives of the City to review our proposed plan of work, consider any modifications to that plan that the City would like to see, and discuss the content of the survey instrument. The last of these topics will include overall goals, objectives, detailed information needs, and specific areas of inquiry. In attendance at this meeting will be our President.

Although it might well be somewhat more effective to hold this meeting in person, the time constraints facing the City suggest that a teleconference might more readily be arranged. Both for this reason and in order to conserve resources, we are proposing to hold the meeting by phone. If the City would prefer an in-person meeting, and if such a meeting can be scheduled in a timely manner, we would be pleased to modify our proposal accordingly. Our offices in Sacramento are not that far from those of the City, so the added cost would not be substantial.

➤Task 2: Design, Program, and Pretest Survey Instrument

Following the initial planning meeting, our President will design a draft of the survey instrument and submit it to the City for review and comment. She will then consult with representatives of the City concerning any changes they would like to see, make the appropriate modifications, and submit a final draft to the City for approval for pretesting.

The pretest will be conducted among a sample of potential respondents selected in the same manner as the final survey sample will be selected. Those conducting the pretest will examine question wording, question flow, respondent comprehension, clarity of instructions, interview length, and the willingness of potential respondents to participate. The entire group will then debrief and discuss how the instrument might be modified to make it maximally clear and accurate and to encourage a high response rate. If representatives of the City would like to monitor this pretest, we would be pleased to include them.

Following the pretest, the President will consult with the City concerning the results and make final modifications as needed. The final version of the

instrument will then be submitted to the City for approval prior to field implementation.

➤Task 3: Select Sample

The sample we are proposing for the survey is a list of high-propensity voters appropriate to the 2016 general election in November. This list will be purchased from Statewide Information Systems, a leading and long-established vendor with which JD Franz Research has had a business relationship for more than two decades. The list will then be enhanced with cell phone matching to ensure that the proportion of those who are “cell phone only” (with no landlines) and those who are “cell phone mostly” (with landlines but largely dependent on their cell phones) are included in proportion to their estimated presence in the Lakeport voter population.¹

Importantly, the sample will be random for both landlines and cell phones, which is not always the case. It will be based on official voter information, selected using past behavior for establishing propensity, and reasonably proportional in terms of those who rely on cell phones versus those who rely on landlines.

➤Task 4: Implement Survey

Interviewing for the survey will be conducted from the centralized and fully monitored facility at Davis Research in Calabasas under the ongoing oversight of full-time, non-interviewing supervisors. Every interview will be checked as it is completed for accuracy, clarity, and completeness, and any problem areas will be corrected immediately. In the event a problem cannot be resolved by recall, the respondent will be called back for clarification or amplification. Cases with missing or incomplete data will not be accepted.

In order to ensure that working people are adequately represented in the survey, calling will take place during weekday evenings and on weekends. In order to ensure a representative result, up to four attempts will be made to complete an interview with each voter in the sample.

➤Task 5: Code and Tabulate Data

Coding of the survey’s closed-ended questions will be accomplished by the interviewers as they conduct the interviews. Coding of what we have assumed

¹ Proportions of the population that are cell phone only and cell phone mostly are not known below the county level, let alone at the level of high-propensity voters in a given municipality. It is possible, however, to develop a reasonable estimate by using known information in combination with a city’s knowledge of its constituents.

for budgeting purposes will be two open-ended questions will then be undertaken in three stages.

First, our Data Analysis Associate will review all of the open-ended responses in order to develop a codebook for each question, which will be approved by the President. The Associate will then use these codebooks to code the open-ended questions, setting aside any responses that fail to conform to the coding scheme for the President's review and the possible addition of new codes where appropriate.

After all of the responses that fail to conform to the coding scheme have been identified, the Associate will propose and the President will approve additional codes as needed. This approach minimizes the necessity of using the code "other," which is not particularly useful.

The resulting data will then be exported into the data analytic software SPSS for Windows and checked for accuracy, adherence to the pre-established coding scheme, and internal logic. In addition, preliminary tabulations will be reviewed manually to check for errors. In the event any errors are detected during this cleaning process, they will be corrected by actually calling the respondent back.

When the data are completely clean, final tabulations and other analyses will be prepared using SPSS for Windows. These analyses will include means for scaled questions as well as cross-tabulations and means comparisons for major demographic groups. Other analyses may also be undertaken fully to illuminate the results. All of the survey tabulation and analysis will be undertaken by the firm's Vice President and Data Analysis Manager.

➤Task 6: Conduct Meeting on Report Content

All of the data and analyses will then be submitted to the City for their review and consideration. After City staff have had the opportunity to review this information, we will meet with them by telephone to review the data in detail, consider the implications of the findings, answer any questions staff may have, and determine what conclusions and recommendations would appropriately be drawn from the results. In attendance at this meeting will be our President and our Vice President and Data Analysis Manager.

➤Task 7: Prepare Final Report

The report on the results of the survey will be prepared by our President with the assistance of our Data Analysis Manager. Included in this report will be an executive summary, an introduction, a detailed discussion of methods, graphic, verbal, and tabular presentations of the findings, and our conclusions and

recommendations. Appended to the report will be the survey instrument, the detailed data tabulations for each survey question, and all statistically significant data analyses.

After a final draft of the report has been prepared, we will submit it to the City for review and comment. We will then make appropriate changes based on input from the City and submit the final version to the City for approval.

➤Task 8: Present Final Report

After the final report has been approved by the City, the survey results will be presented to the City Council or in another public form of the City's choosing by our President. This presentation will emphasize the highlights of the findings and key recommendations for consideration or action.

In order to ensure that the information is clearly conveyed, the President's verbal remarks will be illustrated by a PowerPoint presentation. Although this presentation will be based exclusively on the written report, it will also be submitted to the City for approval before the presentation is made.

Task 9: Consult on Results

It is the policy of JD Franz Research to provide consultation and assistance on research results for an indefinite period of time following project completion at no additional charge. This can range from a simple question to a closer look at the data. We want to make certain our clients are fully supported by our firm as long as their research study is of interest or use.

Services or Data to Be Provided by the City

The only assistance we anticipate requesting from the City is input into planning and review of draft products (questionnaire and report). The only assistance we deem essential is participation in the initial survey planning process, including the planning meeting and the questionnaire design; without this involvement, it is possible that the results will not be particularly useful. Although review of other draft products is not critical, we welcome it in order to ensure that the City is fully satisfied with our work.

Schedule

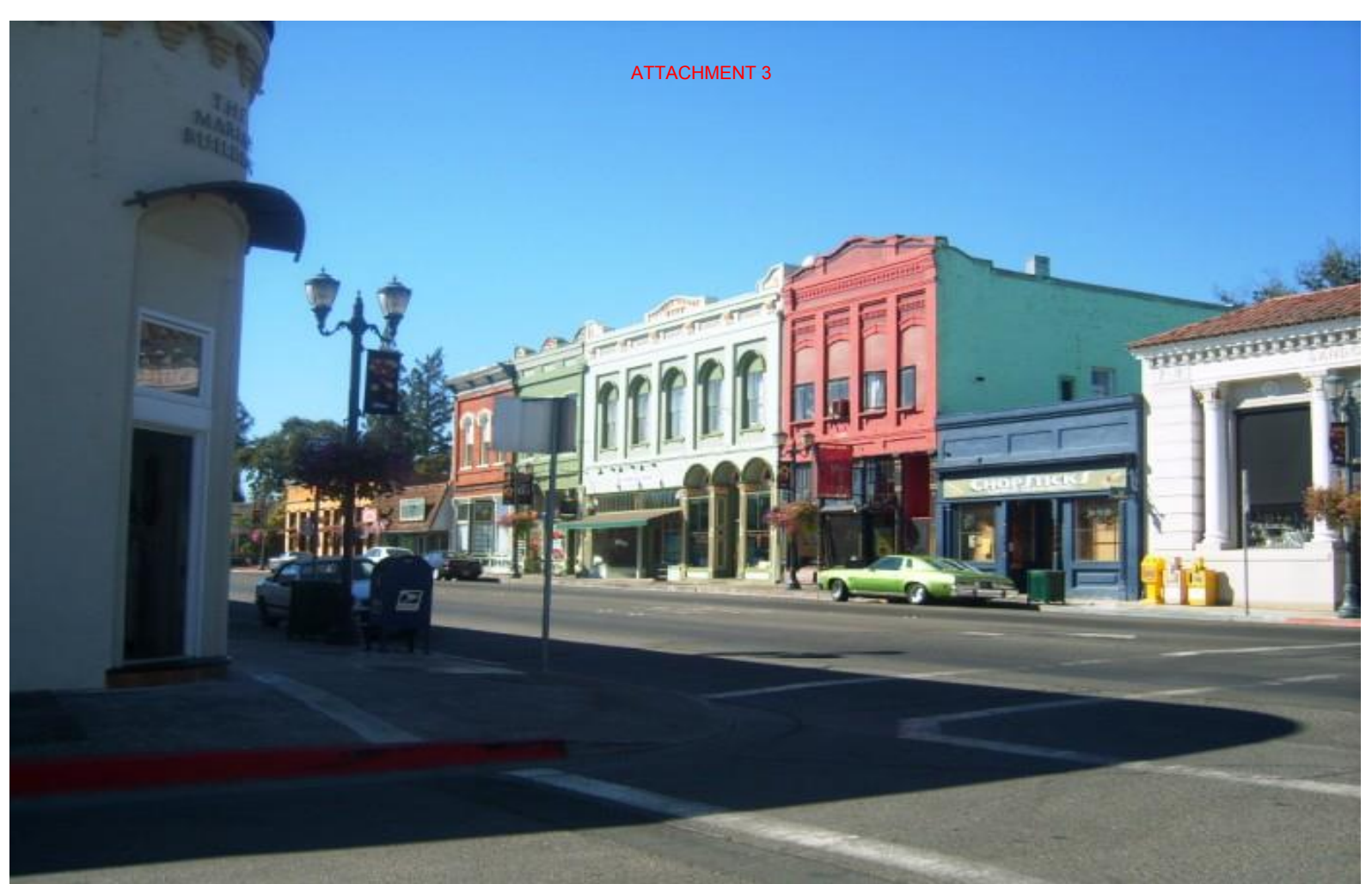
The table below presents our proposed schedule for completing the project. Given the time constraints confronting the effort, this schedule is aggressive and in our opinion minimizes the elapsed time for the effort while ensuring a scientifically sound undertaking. This is particularly true of the interviewing task: Although it is certainly possible to conduct a survey in fewer days, such an

approach can jeopardize the representativeness and hence the scientific validity of the results.

Task	Schedule
Conduct Initial Planning Meeting	Week of April 18
Design and Revise Questionnaire	Week of April 25
Program, Pretest, and Finalize Questionnaire	Week of May 2
Implement Survey	May 5 – 15
Code, Tabulate, and Analyze Data	Week of May 16
Conduct Meeting on Results	May 20
Deliver Draft Report	May 27
Revise Report	Two to Three Days
Present Report	Upon Request

COMPENSATION

Our price to provide the public opinion research services outlined above is \$17,500. This price is fixed, all-inclusive, and valid for a period of ninety (90) days from the date of this submission. It is also fully negotiable if the City would prefer an alternative scope of work to the one presented here.



City of Lakeport, CA

Public Opinion Research

PROPOSAL SUBMITTAL SUMMARY

The Proposer declares that she or he has carefully examined the Request for Proposals, which is hereby made a part of this proposal; is thoroughly familiar with its contents; is authorized to represent the proposing firm; and agrees to perform the specified work for the following cost quoted in full:

Public Opinion Research – 15 Minute Interview Length	\$31,900.00
Public Opinion Research – 20 Minute Interview Length	\$34,235.00

Certificate of insurance: To be provided if awarded contract

Firm Name and Address

Northwest Research Group, LLC	
1411 4th Avenue, Suite 1500	
Seattle, WA 98101	
Contact: Rebecca Elmore-Yalch, Principal / Managing Director	
Email: reyalch@nwresearchgroup.com	Phone: 206.489.2362

REFERENCES

Number of years engaged in providing the services included within the scope of the Request for proposals under the present business name: 1999-2007; 2013-Present

(Originally founded in 1985, NWRG grew to become one of the Northwest's largest and most respected full-service custom research firms. NWRG was acquired in 2007 by ORC International. In a major restructuring following several ownership and management changes, ORC International decided to cease doing business in the public sector and closed its Seattle office in May 2013. Based on a mutual agreement with ORC International, Rebecca Elmore-Yalch, NWRG's Principal / Managing Director, re-launched NWRG in May 2013. NWRG has provided custom research services for public agencies for more than 30 years.)

Provide at least three references for services performed by your firm that demonstrate your ability to provide the services included with the work scope. Attach additional pages if required. The City reserves the right to contact each of the references listed for additional information regarding your firm's qualifications.

Reference No. 1

Customer Name	Pierce Transit
Contact Individual	Jay Petersen
Telephone Number	253-984-8203
Email Address	jpeterson@piercettransit.org
Street Address	3701 96 th Street SW
City, State, Zip Code	Lakewood, WA 98499
Description of services provided including contract amount, when provided and project outcome	<p>Northwest Research Group has conducted several studies for Pierce Transit to measure support for a sales tax increase to support public transportation investments. The first study was conducted in 2010 and consisted of two phases: a quantitative study followed by qualitative research to further understand results from the quantitative research. The second was completed in 2012.</p> <p>The research was used to measure support for a proposed ballot measure, at what stage support was lost, best timing for a ballot measure, and communications strategies that could be used to increase support.</p> <p>The first study indicated that passage of a ballot measure was unlikely and Pierce Transit chose to delay until after the general election in November 2010. The second study indicated that the measure would definitely pass in the major urban area but was less likely to pass in the surrounding areas. Our final estimates of support were nearly dead-on the actual vote; the measure did not pass.</p>

Reference No. 2

Customer Name	Pierce Transit / City of DuPont
Contact Individual	Kim McGilvery
Telephone Number	253.581.8038
Email Address	kmcgilvery@piercettransit.org
Street Address	3701 96 th Street SW
City, State, Zip Code	Lakewood, WA 98499
Description of services provided including contract amount, when provided and project outcome	<p>In 2012, the City of DuPont chose to withdraw from the Pierce County Public Transportation Benefit Area (Pierce Transit PTBA) thus no longer qualifying the city for bus or shuttle service in the future. Pierce Transit also no longer collects 6/10th sales tax within the City. Last year (2015), Pierce Transit and the City of DuPont decided to conduct a survey of residents to understand their opinions for the need of public transit and determine the level of support for DuPont to re-join the Pierce Transit PTBA and a 6/10th sales tax for transit service.</p> <p>DuPont is a rather small community, home to just over 3,500 households, thus the decision was made to survey all households rather than a random sample. An address-based sample frame was used to ensure inclusion of all households, regardless of telephone coverage. The addresses were run through a database in an attempt to append phone numbers to each address. Both cellular and landline telephone numbers were appended where possible. The study was then conducted in two phases. The first phase consisted of sending out a post card to all 3,628</p>

	<p>residential addresses inviting them to take the survey, either online, or by calling a toll-free number. Each household also received two (2) reminder post cards. Non-responding households for which a phone number could be appended were then contacted by telephone and asked to complete the survey. In all, every household in DuPont was provided with the opportunity to conduct the survey.</p> <p>The results indicated that there is limited support for DuPont to rejoin the Pierce Transit PTBA and pay a 6/10th sales tax for transit service. At this time, there are no plans to move ahead.</p>
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Reference No. 3

Customer Name	Town of Castle Rock, CO.
Contact Individual	Kristin Zagurski, Management Analyst
Telephone Number	(720) 733-3552
Email Address	KZagurski@crgov.com
Street Address	100 North Wilcox
City, State, Zip Code	Castle Rock, CO 80104
Description of services provided including contract amount, when provided and project outcome	<p>Home to just over 55,000 residents, the Town of Castle Rock conducted surveys of residents and businesses in the area in 2011 and 2013. Northwest Research Group was brought in to conduct the 2015 survey. The updated survey provided key baseline measures on how well the Town is currently meeting the needs and expectations of residents and businesses.</p> <p>Previous surveys were conducted by phone and there were concerns that all residents and businesses were not represented in the sample frame. The 2015 resident survey used an addressed-based sample and mixed mode (phone and online) data collection. All businesses were invited by mail to complete an online survey. More than 700 residents and 150 businesses responded.</p> <p>The survey was also used to provide the new Town Manager important insights into the community and provided baseline measures to evaluate impact of new strategies. Finally, the survey provided insight into the business community in Castle Rock, providing a heat-map of what business owners feel is important to them, where the Town does well, and where the Town can improve. The final report and presentation to the City Council are available at:</p> <p>http://crgov.com/2223/Community-Surveys</p> <p>The Town built on the survey work by conducting a series of Community Conversations with survey respondents who agreed to participate in additional research. More than 200 residents participated in this four-month, in-depth research. While the information the project yielded was more anecdotal than scientific, it provided additional context and helped Castle Rock know how to better direct their public education efforts. Results from these conversations are available at:</p> <p>http://www.crgov.com/DocumentCenter/View/13746</p>

Qualifications

OUR COMPANY: Northwest Research Group (NWRG) connects public agencies, not-for-profit organizations, and regulated industries with their customers and the communities they serve through a combination of traditional and innovative quantitative and qualitative research solutions that deliver meaningful results and drive informed and confident decisions.

Our passion and focus is on working with government agencies to know and understand the public they serve, their expectations for the level and quality of services that should be provided, and identifying strategic priorities. A significant amount of our research is focused on customer or resident satisfaction with services. We believe our proposed research team can meet, and even exceed, the City's expectations for a community research program that provides the insights needed to determine support for a revenue measure to provide the level and quality of services residents expect.

NWRG is at the forefront of custom research and strategy solutions for local, regional, and national government agencies and not-for-profit organizations. A partial listing of clients is shown below.

Local	State & Regional	Federal
<ul style="list-style-type: none"> • Seattle Public Utilities • Bellevue, WA • Boise, ID • Castle Rock, CO • Cedar Rapids, IA • Elgin, IL • Everett, WA • Fort Worth, TX • Meridian, ID • Prince William County, VA • Renton, WA • Sunnyvale, CA • Wenatchee, WA • Chicago Transit Authority • King County, Metro Transit • King County, Parks and Natural Resources • Pierce Transit • Seattle Department of Transportation 	<ul style="list-style-type: none"> • ID Dept. of Environmental Quality • ID Office of Energy Resources • University of Washington • Washington DC Office of the Chief Technology Officer (OCTO) • WA Transportation Commission • CA Dept. of Transportation • Northwest Energy Efficiency Alliance • OR Progress Board • OR Public Utility Commission • Puget Sound Regional Council • Sound Transit • Southern CA Edison 	<ul style="list-style-type: none"> • Bonneville Power Administration • Environmental Protection Agency • Federal Highway Administration • U.S. Chamber of Commerce • U.S. Postal Service

Northwest Research Group (NWRG) is a team of professionals with more than 30 years of continuous experience connecting public agencies with the communities they serve, combining traditional and innovative qualitative and quantitative research solutions that deliver meaningful results and drive informed and confident decisions. Our approach to community surveys is based on our **Five Core Principals** that make us stand out from and above the competition:

Critical Thinking—NWRG has an intimate knowledge of the unique needs of local, regional, and state governments. Every project that comes through our doors gets senior-level attention from start to finish. Our work comes to life through thoughtful consultation and our process delivers focused insights that drive intelligent and informed decision-making. It's why clients keep returning year after year when it's time for their next project.

Custom Solutions—Over the years, clients have turned to NWRG to tackle difficult research projects by applying creative solutions where out-of-the-box methods may fall short. Every client’s goals are unique and every project is different. We develop built-to-fit research plans from an array of scalable solutions that reflect each client’s specific needs and challenges. We are constantly evolving our solutions and we stay abreast of the changing research landscape.

Asking the Right Questions—The heart of first-rate marketing research is asking the right questions in the right way. Our approach to questionnaire design is to “begin at the end”—working closely with key stakeholders to understand and clarify their research objectives and the decisions that will be made. We think analytically and continually ask ourselves what insights the data will provide. Finally, we put ourselves in the respondent’s shoes and design our questionnaires to transcend the expected and transform research by providing a deeper, more nuanced understanding of the critical issues.

Focused on Excellence—Our passion is crafting better research and we are determined to deliver the highest levels of accuracy and quality. Many of our projects have withstood scrutiny by regulatory bodies, the media, and external peer reviews. NWRG is an active member of the Council of American Survey Research Organizations (CASRO) and we are bound by their Code of Ethics to adhere to strict business and ethics standards. All work is conducted in accordance with ISO 20252—Market Research Quality Standards. NWRG is currently undergoing the final audit process required to be ISO certified; currently only 17 firms in the United States are ISO certified.

Impactful Insights—NWRG’s analytics and reports go far beyond simple frequencies and cross-tabs presented using simple charts and tables. We routinely use powerful analysis such as Discrete Choice Modeling to find what is important to residents and what they are likely to support. We offer a dynamic reporting system that uses a state-of-the-art presentation platform and visualization tools that result in expressive deliverables that crystallize your findings and bring the best courses of action to light.

OUR TEAM: The Northwest Research Group team is composed of public and civic services experts, with exceptional backgrounds in research design and methodology, advanced analytics, and the management of comprehensive and often complex research programs.

Our business model is based on using a core team of full-time professional employees and carefully vetted outside contractors to provide services for data collection and, where appropriate, specialized services in advanced analytics, public policy issues, and strategy development.

Rebecca Elmore-Yalch, Principal / Managing Director

As NWRG’s Principal / Managing Director, **Rebecca is actively engaged with the development and implementation of all research programs, with a simple and essential focus on crafting better research.** Rebecca is NWRG’s Chief Research Methodologist and Challenger of old ideas.

Experience

Rebecca brings more than 30 years of experience solving complex problems in challenging marketing research projects. She is a recognized leader in public policy and social research related to transportation, the environment and energy, government performance, and Postal Service operations. Rebecca has given numerous public policy and civic board presentations and has testified before legislative and regulatory bodies in support of the research she has conducted.

Rebecca has been on the forefront of using new research technology and methods including: dual-frame sampling, address-based sampling and mixed mode data collection, mobile data collection, and

asynchronous forums for qualitative research. She is the developer of several proprietary consumer behavior models and corresponding analytical tools including NWRG's CityMarks™ Community Equity Index (5-Star Rating).

Rebecca holds a Bachelor's Degree in Journalism and Mass Communications from the University of Minnesota and an MBA with a focus on marketing and statistics from the University of Washington.

Role

From the very beginning, Rebecca works closely with clients to develop a research design that's tailored to their needs and uses the most appropriate methods, and then pulls together the best team for the project.

Before the project is complete, she reviews all work and gives it the litmus test for quality. Our clients love that they can trust Rebecca to ask tough questions and contribute her sharp strategic and analytical insights about what the data means, and what actions to take next.

Nathan Wiggin, Research Director

Nathan handles the primary day-to-day management and operations of the majority of the projects we do at NWRG. He works closely with clients to understand their objectives and expectations, and manages each project to ensure those objectives are met and the project is completed on-time and within scope and budget.

Experience

Nathan began his market research career over 10 years ago as a telephone interviewer for NWRG's Boise, ID call center. He quickly rose through the ranks becoming the lead for NWRG's CityMarks™ community survey program and several of our transportation clients.

In 2011, he decided to expand his experience and explore other opportunities, serving as a consultant for the University of Washington and Microsoft. When Nathan heard that Rebecca was re-launching NWRG, he immediately decided that he wanted to go back to his roots and focus on the research he enjoys most, helping government agencies improve services for their citizens.

Nathan holds a B.A. in Philosophy from Boise State University and has continued his education by completing MRA Certificate Program in the Principles of Marketing Research, University of Georgia, Statistical Methods Course from Bellevue College, and a Project Management Course from Boise State University.

Role

Nathan serves as the primary point of contact for the majority of our clients at Northwest Research Group and prides himself on always being only a phone call away.

He is involved in every part of the project from questions to conclusions. He begins by helping clients clarify the research objective and ensure the survey is designed to meet that objective.

As the project progresses, so do Nathan's responsibilities. He follows the project through each stage focusing on quality management, analytics, reporting, and presenting the results.

Many call Nathan NWRG's "data guru" as he specializes in working with very large and complex data sets helping our clients "find the music in the noise."

Bernett Information Group

Northwest Research Group subcontracts data collection to highly qualified data collection partners. For this study, we propose using Bennett Information Group. Bennett is one of our preferred research partners due to their highly trained interviewing staff and customer-oriented project management team.

Experience

Bernett Information Group is an information services company providing a suite of services that empowers clients to make strategic and actionable decisions. They specialize in CATI solutions with expertise in converting and integrating web surveys into phone studies.

As a trusted provider for their clients since 1972, Bennett understands the nuances of effective phone techniques. BIG is headquartered in Boston, Massachusetts, and operates phone centers throughout the United States, with 250 phones available 7 days per week.

Bennett has served as our primary contractor for most of our resident surveys including numerous studies for the City of Bellevue, Washington, City of Renton, Washington, Town of Castle Rock, Colorado as well as performing several large and complex studies for King County Metro and Pierce Transit.

Quality Control

All of our data collection partners are carefully vetted and must confirm that they are able to comply with standards for research as required for ISO 20252: 2012 Market Research Standards. Subcontractors are reviewed after each project; they must maintain a rating of 8 or higher (on an 11-point evaluation scale) in order to be retained as one of our registered subcontractors.

To ensure interviewing and quality all interviewers must complete a comprehensive (minimum six hours) general interviewer training program. Interviewers assigned to a project must attend a project-specific briefing; the NWRG project manager attends this briefing. A minimum of 10 percent of all interviews are monitored live by a Bennett supervisor; interviews are also recorded for further review. The NWRG project manager also monitors live interviews and/or recordings. At periodic intervals throughout data collection, NWRG does a thorough quality review of the data. These review verify that skip patterns are working correctly and that data is recording accurately. The reviews also check for anomalies in the data that could indicate problems with the questionnaire, programming, key punching, or how residents are interpreting specific questions.

WORK PROGRAM

The City of Lakeport continues to face fiscal challenges and is considering a possible revenue ballot measure in November 2016. Research is required to assess general support for a revenue ballot measure—either a general purpose sales tax measure or other special purpose measure that would be most likely to gain needed public support. The research must provide the following insights. . .

- **Overall Perceptions:** How do residents currently feel about the city and the services it delivers? What are the biggest problems facing the community? What programs and services are most important?
- **Ballot Measure Support:** What is the level of support for a revenue measure? What type of measure would attract the greatest support? What messages would be most effective in communicating the need for additional resources?

Following is a summary of our overall approach and some of our unique approaches to research that delivers real insights.

Planning and Management

Collaborative Process

An On-Site Kick-Off Meeting provides an opportunity to establish the groundwork for a close, collaborative working relationship throughout the study. In preparation, NWRG will review all existing materials such as past surveys, strategic plans, etc. At the meeting, we will discuss methods for progress reporting, the make-up of the client project team and their requirements, coordination with other stakeholders, key aspects of the work approach, and all other major issues.

In conjunction with the Kick-off Meeting, NWRG highly recommends meeting with those who will be relying on the survey data to make policy decisions and take action. The purpose of these meetings is to gain an understanding of how end users are likely to use the data to inform their decisions and what insights will be most useful.

Regular briefings with your project team will be convened at the completion of each task and/or major subtask. At these briefings, we will discuss findings and preliminary recommendations and come to a consensus on project direction. NWRG will coordinate these briefings with the project team and develop the agendas, presentation materials, and background materials as needed for each briefing. We will also respond to any issues that arise during the briefings and assess future direction. In addition to the regular briefings, we also provide regular written updates.

Complete Transparency

The critical tenet behind ISO 20252 certification is a documentation process that ensures that clients have the capability to know and understand what was done and as necessary replicate the study in the future. We are 100% transparent about what we do and we document everything. We start with a detailed Project Work Plan that serves as the central location for documentation, including but not limited to: (1) Detailed description of the methodology (2) Basic requirements to include in questionnaire (3) Sampling plan (4) Pretest plan (5) Data collection procedures (6) Proposed analysis plan (7) Communication channels (8) Quality-control standards (9) Content and nature of final reports, and (10) Detailed schedule of study activities and deliverables.

Access

The Lakeport Project Team will be provided access to a secure SharePoint site where current versions of all project documents are stored. During data collection, the project team is also provided with access to the data collection portal which provides real-time updates on completes to date, overall and by pre-specified quotas (such as geographic areas, demos, etc.), sample use, response rates, survey length, and other quality information.

Our online reporting tool will provide you with ongoing access to the results and the ability to run some of your own analytics or ask us to quickly create charts or tables that you can easily include in presentations as you push the results out through your organization.

Develop Survey

Design

Too many surveys start by thinking first about the questions to ask and what their format should be—the result are the use of standard question formats that yield little insights into what needs to be done to achieve the desired outcome. Our approach is to determine is how the research will be used and the possible outcomes—that is, if the result is this, the city will do this. We then use “best practices” in research methods and measurement to deliver the insights needed. Following are some of our thoughts about the type of questions that will yield the type of insights that meet the City’s stated objectives.

General Perceptions

Critical to the support for any additional investments are current perceptions of the city and the level and quality of services it currently provides. Positive perceptions reflect a high degree of equity or goodwill that can translate into support for new programs and services or additional funding.

NWRG has developed a Community Equity Assessment research program that contains measures related to a community’s overall performance, quality of life, mobility, safety, parks and recreation, neighborhoods and community, government, and advocacy and engagement. The overall performance measures are comprised of five powerful questions that we encourage

How would you rate your community's . . .											
	Does Not Meet My Expectations at All										Greatly Exceeds My Expectations
Overall quality of life	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Overall quality of city services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Significantly Worse than Other Communities											
Comparability to other communities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
How would you rate the . . .											
	Strongly Headed in the Wrong Direction										Strongly Headed in the Right Direction
Direction your community is headed	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
How would you rate the . . .											
	Definitely Not Getting My Money's Worth										Definitely Getting My Money's Worth
Value of services you receive for the tax dollars you pay	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

all communities to incorporate into their survey; they are used as a basis for developing an individual community’s 5-Star Rating and benchmarking. In the case of Lakeport, inclusion of these measures would provide an overall measure of community equity or goodwill—an essential component of likely support for investments in new programs and services or additional funding. Other measures can be used if they match a community’s objectives and information needs.

The results from these five questions are summarized in a research-based index that captures the essence of what residents feel about their community. This proprietary Five-Star Rating system uses citizen responses to these five simple yet powerful questions and applies our exclusive mathematical model. The result is a high level measure of the overall health of your city. Our 5-Star Rating allows a City to . . .

- Quickly summarize a complex, multi-dimensional issue—overall just how well your city is doing
- Clearly identify community strengths and weaknesses and priorities for the future
- Measure progress over time and place issues of performance and progress at center stage
- Benchmark its results against a nationwide sample

We have included with our proposal one of NWRG’s Thought Tank Papers—*The Power of Five: A Novel Five-Question Index that Assess Government Performance from a Citizen’s Perspective*—that provides research based support for this approach and illustrates how it has been used.

Importance of Different Service Areas

Many researchers use stated importance measures to determine what is important. For example, you often see something like this:

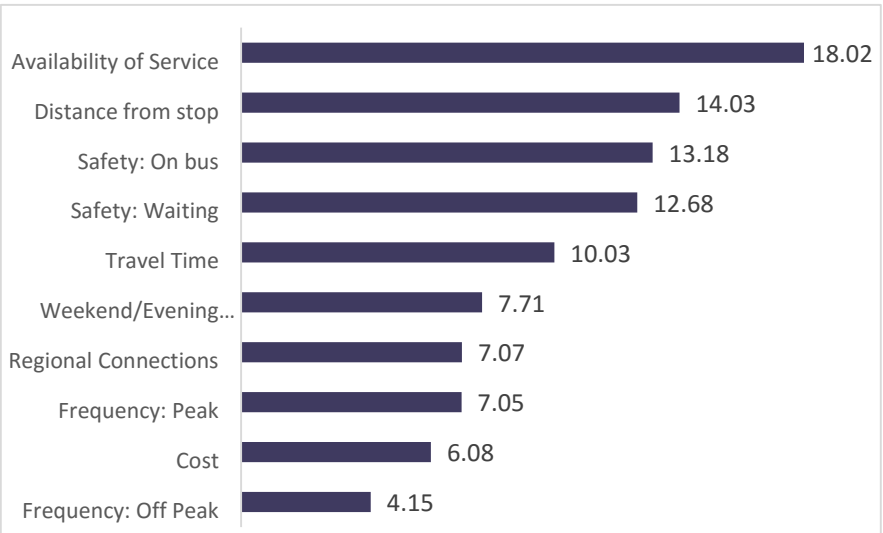
How important are each of the following services provided by the City of xxx?					
	Not at all Important	Not Very Important	Neither Important nor Unimportant	Somewhat Important	Very Important
Public Safety	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Parks and Recreation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Road Maintenance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
New Road Construction	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Public Transportation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

The problem with this approach is that virtually everything is rated as somewhat or very important. Northwest Research Group uses discrete choice questions that “force” respondents to make choices or trade-offs to more effectively measure importance. This approach simulates the way residents really think about services and what is really important for the community. By way of example, we used this approach for Pierce Transit to help identify what aspects of service are most important when choosing to use public transportation. Respondents are shown four items at a time and asked to indicate which of the four is most important and which is least important.

Considering these four (4) items, which is the <u>most</u> important and which is the <u>least</u> important when deciding to use public transportation?		
Most Important		Least Important
<input type="radio"/>	Frequency of service	<input type="radio"/>
<input type="radio"/>	Cost of a one-way ride	<input type="radio"/>
<input type="radio"/>	Travel time by bus compared to comparable trip by car	<input type="radio"/>
<input type="radio"/>	Availability of service on weekends and evenings	<input type="radio"/>

Each respondent was given eight comparison groups and the study is designed so that each attribute is placed against each other attribute at least one time.

The analysis provides a scaled ranking score from zero (0) to one-hundred (100) that not only shows which attributes are more important, but the degree to which one attribute is more important than the other.

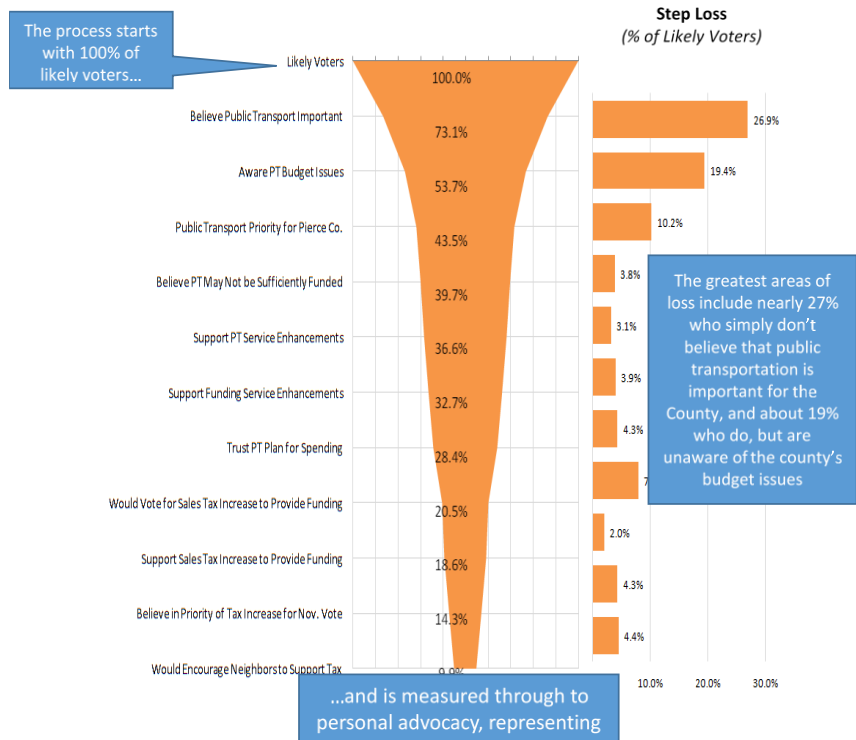


Ballot Measure Support

Most surveys that test support for proposed ballot measures or new programs and services use an approach that presents the concept and then asks for likely support.

NWRG's approach focuses on the journey residents take on their way to support—that is, the journey from basic awareness of the issue to support and ultimately advocacy. The journey is reflected by a series of questions and funnel analysis is used to determine what percentage of residents / voters are at each stage of the journey. An example of this type of questioning and the resulting analysis is shown to the right.

We can use this analysis to identify what is required to move the 21% of likely voters who would vote for a sales tax increase “forward” on the journey to strongly agree to indicate a vote in favor of a sales tax increase.



Length

There is often a conflict between the desire for more information and necessity of maintaining survey length. Long surveys have a significant impact on completion rates as well as perceptions of the city (i.e., a negative survey experience can have as significant an impact on citizen goodwill as any other negative experience). During our review and update of the survey questionnaire, we ensure that each question serves a specific purpose and capture information that can be analyzed and acted on. The resulting survey should average between 15 and 18 minutes in length and is focused on the goal, support the desired analysis, allow for deeper coverage of critical topics, and respect the customer's time, all while avoiding respondent fatigue and disinterest.

Programming

Once the questionnaire is near final, it is programmed for administration, in this case as a mixed mode (telephone and online) survey. Our data collection partners use a state-of-the-art data collection system that can handle virtually any type of question and response format. As a quality control measure, NWRG specifies key logic and skip patterns and creates “check” variables to ensure that all programming requirements are met. The system has the ability to generate dummy data allowing us to perform quality checks. City staff are provided with a link to the programmed questionnaire so you can put yourselves in the respondent's seat.

Testing

Once the survey is programmed, NWRG recommends a valid pretest to verify incidence, confirm study assumptions, test sample performance, survey length, programming, and flow of the questionnaire, as well as verifying that the questions are understood by the respondents. We will complete a minimum of 25 pretest interviews. We offer live monitoring of the calls during the pretest and encourage our clients to listen in to the interviews; it is an eye opening experience.

The pretest also enables us to confirm that the sample frames perform as anticipated and that our study assumptions are accurate.

Finally, NWRG undertakes a thorough analysis of the pretest data to determine whether the distribution of the responses is as would be expected given the nature of the question or whether there are large amounts of missing data, whether the skip and logic patterns are working as programmed, and other factors that determine the quality of the data.

Sampling and Data Collection

Survey research today is facing significant challenges due to coverage issues and response rates. Our objectives in developing a sampling and data collection methodology are to . . .

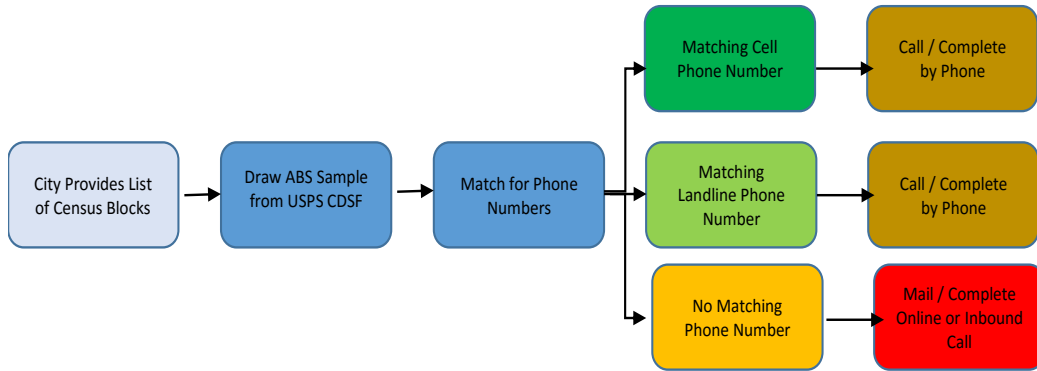
- Use a sampling frame that is inclusive of all resident or voters regardless of phone coverage.
- Use data collection methods that ensure statistically valid results that can be projected to the population as a whole.
- Use an outreach effort to maximize response rates by all residents, but notably those who are less likely to respond to survey research requests.
- Provide complete transparency by providing clients with direct access to a data collection portal that provides real-time updates on number of completes and representation of key demographics.

We propose an approach that is similar to the approach we recently used for a small community (DuPont, Washington). Because of the size of the community, the decision was to survey all households / residents rather than taking a random sample. This approach added relatively little to the cost of the research and ensured that residents felt that the city was being extremely transparent and open to community input.

We do not recommend limiting the sample to voters and relying on voter registration lists. These lists are often out of date. In addition, during a Presidential election year many are registering to vote for the first time; this is clearly evident in the current primary process. Instead we recommend relying on an address-based sample that provides coverage of virtually every household in the city. Following is an outline of the approach:

- The city provides a list of Census block groups that define the city limits from which we pull a random sample of addresses. This can be limited to addresses with one or more registered voters.
 - Census block groups can be assigned to neighborhoods or other geographies for analytics.
- Sample is pulled using USPS' Computerized Delivery Sequence File (CDSF), the most complete sample frame of area households, regardless of phone coverage. We can target voters within this database.
 - Sampled addresses are run against commercial databases to match telephone number(s)—cell phone or landline—to the address.
 - At the end of this process we have three distinct, non-overlapping sample sub-frames.
- A survey notification will be sent to all households.

- Invitations (and reminder(s)) are sent to sampled addresses without matching telephone numbers asking them to participate either online or by calling our data collection partner via a toll-free number.
- Those in the sample with matching landline or cell phone numbers are contacted by phone.



We provide a USERID that is unique to the household to limit the ability for someone to “stuff” the box. If more than one adult in the household is eligible to complete the survey, they can request additional login IDs. Our goal is to maximize the number of completed surveys. Using this approach, we anticipate completing a minimum of 200 surveys.

We have included with our proposal one of NWRG’s Thought Tank Papers—*Back to the Future: Best Practices Approach to Sampling and Data Collection*—that provides research based support for this approach.

Reports and Support

Too many research reports limit themselves to a simple reporting of the distribution of responses for each question. There is little additional analysis and little to no interpretation of the results and/or discussion of the implications of the results for decision-making.

Our approach to reporting is more iterative and at the end of the day tells a comprehensive story of the state of your community from your residents’ perspective.

Topline Report

We start our reporting process when we are designing the research and the majority of the data preparation and cleaning process is set up during data collection. This means that we can provide final, weighted topline results within 48 to 72 hours after data collection is complete. The topline results are delivered via an easy to read Excel file. Results are shown for the total sample and can be quickly broken down by key segments—e.g., neighborhoods.

We typically meet with our clients following delivery of the Topline to discuss key findings that should be highlighted in the Final Report or that suggest a deeper dive analytically.

Final Report

Our Final Reports are designed to provide illumination of key areas of focus. We like to think that our written reports serve to tell the complete story behind the data, using advanced analytics to drive deeper discussions within the city and provide results that can be measured and actioned. For example, the results from a Resident Survey will provide a description of who is most and least satisfied with various attributes of

the city, what residents feel are the City's greatest strengths and challenges, and how various city services impact overall satisfaction.

Our reports are thorough yet succinct and to the point. The body serves as a high-level summary and is supported by details in an Appendix, supporting documentation, or direct links to our on-line reporting system. Data visualization is used to support the story. Graphics are used to engage readers' interest, make the key points in the story more understandable, and increase buy-in to the results and final conclusions. We employ best practices in data visualization, including use of choice of graphics, fonts, colors, etc. to increase readability and meaning.

We have been working with our clients to develop Infographics that succinctly tell the story in an engaging, highly graphic manner and that can be incorporated into a communications piece to support the messaging of why the community needs additional resources.

Interactive Reporting Tool

Many research companies continue to rely on outputting results in the form of cross-tabulation tables that show the results for every question broken down by different segments. These reports are generally not very user-friendly and force the user to look for the answers they seek.

NWRG has invested in state-of-the-art data processing and reporting technology that provides a completely customized solution—charts, tables, text boxes, and fully customized graphics—that allows you to take charge of reporting, dive deeply into key issues, and quickly share the results with your stakeholders. This dynamic online reporting tool is similar to traditional banner cross-tabulations in that it provides responses to every question. Where it differs is that it lets the user select, filter, and compare respondent groups with a simple click of a button. The tables and charts can be exported to PowerPoint, or the selected data sent to Excel allowing you to create your own presentations. This technology provides our clients with an unsurpassed ability to use and re-use the data, discovering something new each time.

Presentations and Ad Hoc Support

NWRG is not a “one and done” company. We do not believe that our job ends when you receive the report. We are always available, days, weeks, even months later to help you understand, interpret, and present the results. Additionally, our use of the online reporting software gives you the capabilities to go back into the data to quickly and easily answer any new questions that may arise.

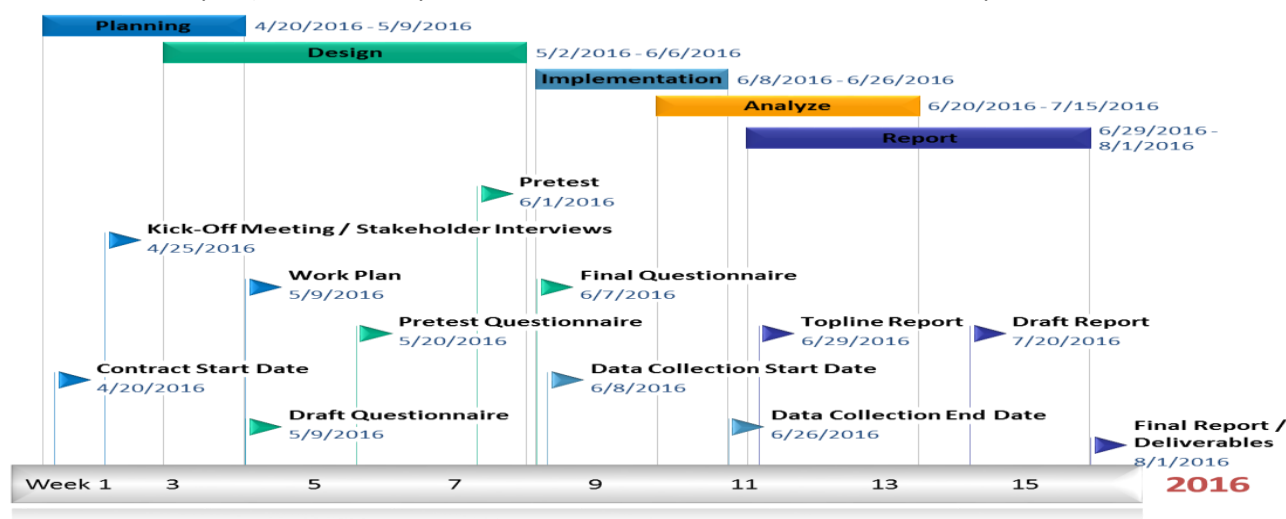
Beyond the traditional report, we offer different options to communicate the results of your research—for example, through an onsite presentation, a webinar, online workshop, etc.—to engage the interest of the target audience and encourage them to further disseminate the findings they find useful and of interest.

NWRG staff also remain available following the delivery of the final report and presentations to provide additional assistance and consulting as required. For example, NWRG can be available to attend public meetings to discuss the research and what it means for the community.

Timeline

The timeline below is an estimated timeline assuming a contract award / start date of April 20th. There are several key elements to the proposed timeline:

- On-site planning meeting and stakeholder interviews at project start to jump-start the design process
- Adequate time for questionnaire design using a collaborative process and a comprehensive pretest
- Delivering a Final Report by August 1, 2016 in time for making an informed decision regarding placement of a revenue measure on the November 2016 ballot. Interim deliverables (topline and Draft Report) allow the City to move ahead well in advance of the Final Report.



Compensation

Below is a cost proposal to complete a Community Survey as specified in Approach to Work. Important assumptions are specified. Travel is not included and is billed at cost. Our policies are to use the same travel policies as specified by the local or state government. We have provided two budgets based on two survey lengths – 15 and 20 minutes. We have also provided a separate line item for Spanish translation and interviewing. This budget assumes that NWRG handles all aspects of the project. Costs could be reduced if the City is able to handle printing and mailing and/or translating the survey into Spanish.

	15 Minutes	20 Minutes
Project / Questionnaire Design, Setup and General Management	\$6,425	\$6,425
Sample Preparation / Pretest / Outreach Design / Programming <i>Pretest n=25</i>	\$7,150	\$8,445
Printing and Mailing <i>Anticipated Online Completes n=100</i> <i>Mail Invitations and 1 Reminder to 3750 Households; Type of Mailer=Letter; Postage=Standard Rate</i>	\$5,185	\$5,185
Telephone Data Collection <i>Phone Survey Length=15 Minutes; Minimum Number of Completed Surveys n=200</i> <i>Landline: max n=75 Incidence=0.9; Cell Phone: max n=75 Incidence=0.55</i>	\$4,890	\$5,430
Data Preparation / Analysis / Reporting	\$7,000	\$7,000
Total	\$30,650	\$32,485
Spanish Overlay / Programming	\$1,250	\$1,750
Total with Spanish	\$31,900	\$34,235



CITY OF LAKEPORT

City Council ☒
City of Lakeport Municipal Sewer District ☐
Lakeport Redevelopment Successor Agency ☐
Lakeport Industrial Development Agency ☐
Municipal Financing Agency of Lakeport ☐

STAFF REPORT

RE: Loan Program Structure and the Preservation of the Confidential Applicant Information

MEETING DATE: 4/19/2016

SUBMITTED BY: Daniel Buffalo, Finance Director

PURPOSE OF REPORT: ☐ Information only ☐ Discussion ☒ Action Item

WHAT IS BEING ASKED OF THE CITY COUNCIL/BOARD:

The City Council is being asked to re-affirm the City Manager's sole authorization to administer the City's loan program, including the City Manager's responsibility for creating and appointing, as necessary under the City's Loan Guidelines and the requirements of any funders, any committee advisory to the City Manager to more appropriately and effectively perform its function.

BACKGROUND/DISCUSSION:

The City operates several loan programs serving the needs of businesses and low-moderate income home owners. These programs are funded by several sources, including federal and state grants and what is referred to as program income (money that has been repaid to the City in the form of principal and interest). The City's loan programs are administrative functions and loan eligibility is determined by the loan guidelines rather than any policy reasons. This, in addition to the sensitive financial information included in loan applications and decisions, means that most cities administer loan programs on a staff level or through the assistance of outside consultants or non-profits.

As part of grant requirements which funded these programs initially, lending and underwriting decisions must be made by committee, the membership of which, in the past, have included local residents, members of the community, local professionals with experience and expertise in loan origination and underwriting, as well as City staff. Recently, membership on the Loan Committee began including not only City Manager and Department Head appointees, but also some City Council appointments.

Due to the sensitive nature of the information considered by the Loan Committee when evaluating current and future financing applications, staff recommends the City Council re-affirm that the City Manager or her designee is solely authorized to administer the City's loan program under the City's Loan Guidelines and the requirements of any federal or state grants that fund the program. The practical effect of this will be that any loan committee established from time to time to screen applications will be created and composed of individuals appointed by the City Manager. The Council will not appoint any members of the Loan Committee, which will allow personal/commercial borrower information to remain confidential and protect their financial condition and interests from inappropriate scrutiny.

The City Manager will continue to seek committee members from those groups mentioned earlier.

OPTIONS:

1. Approve the recommendation as presented.
2. Do not approve but provide direction to staff.

FISCAL IMPACT:

☒ None ☐ \$ Budgeted Item? ☐ Yes ☐ No

Budget Adjustment Needed? ☐ Yes ☐ No If yes, amount of appropriation increase: \$

Affected fund(s): ☐ General Fund ☐ Water OM Fund ☐ Sewer OM Fund ☐ Other:

Comments:

SUGGESTED MOTIONS:

Move to re-affirm the City's Manager's sole authority to administer the City's loan program, which authority includes but is not limited to the decision to create any loan committees to advise on loan decisions and the sole discretion to appoint members to that committee in a manner that preserves the confidentiality of personal and commercial financial information of third-party applicants.

☒ **Attachments:** 1. CDBG Guidelines for Business Assistance Loan Program

Guidelines For Business Assistance Loan Program

Funded By
The City of Lakeport
with funds from the
Community Development Block Grant Program

Adopted: _____
Approved by CDBG: _____

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ATTACHMENT A: PROGRAM SUPPORT DOCUMENTS *(TBD)*

ATTACHMENT B: LOAN SERVICING POLICIES

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) BUSINESS ASSISTANCE LOAN PROGRAM GUIDELINES

1.0 INTRODUCTION

The City of Lakeport here after called "Lender" has established a Business Assistance Loan Program, here after called "the Program". The Program is designed to stimulate economic growth and create jobs that will improve the living conditions of residents in the community. The Program provides affordable non-conventional financing to eligible businesses and development projects. Businesses and development projects receiving these funds will in turn be required to develop a sufficient number of net new jobs, or in the case of business preservation, retain existing jobs. These Program guidelines have been formally adopted by the Lender and approved by the state CDBG program.

2.0 BUSINESS ASSISTANCE PROGRAM OVERVIEW

2.1 PROGRAM ADMINISTRATOR

City may delegate operating responsibilities by contract, sub-recipient agreement, or sub-grant agreement. These contractual alternatives are defined by the most current version of the CDBG Grant Management Manual. Such agreements shall specify roles, responsibilities, and authority to act on behalf of the City. However, the long term goal of the City is to develop in-house business lending capacity.

2.2 PROGRAM SERVICE AREA

Financing under this Program is available to all eligible businesses located in the jurisdictional limits of the Lender.

2.3 SOURCE OF PROGRAM FUNDS

The Program is capitalized with CDBG funds provided by HUD to the State of California Department of Housing and Community Development, here after called "the Department". CDBG funds are federal funds and as such have a number of federal requirements that must be met, as described below. CDBG funds come to the Lender from two sources: 1) Department grant awards to the Lender that are administered under a state grant contract; 2) loan funds repaid from previous CDBG activities (grant and program income loans), called CDBG program income funds, administered under a Lender adopted program income reuse plan. As loans are originated under this program the repayments from those loans are returned and re-loaned out again to other eligible businesses.

2.4 ELIGIBLE LOAN APPLICANTS

Loan applicants for the Program will primarily be existing legal businesses with a proper local business license, proper insurance and required permits per state and federal requirements. If an applicant is a new start up business and does not have proper licenses or insurance, then these items can be made a condition of funding the loan. The business can be a tenant leasing space or an owner of property where the business is located. The qualifying business must

create one or more new permanent full time equivalent (FTE) jobs. The business may also qualify by showing job retention such that the business will be closing down or cutting staff if not for investment of CDBG funding. Retention applicants can be businesses that are curtailing operations permanently or moving operations overseas. They must prove that CDBG funds will allow them to stay in the current location.

Loan applicants can also be commercial developers or commercial property owners that have property they want to build on or existing commercial space they need to fill with tenants. CDBG funds can be used for tenant improvements to help fill project's spaces. Funds can also be used to pay for off-site infrastructure costs of a construction development project. For these projects, the developer and all the partners must be underwritten with the development AND each business locating in the development must be underwritten in accordance with these guidelines.

3.0 CDBG PROGRAM REQUIREMENTS

3.1 ELIGIBLE ACTIVITIES

Funds under this program are restricted to certain eligible costs. Some common eligible costs are: 1) operating capital; 2) furniture fixtures and equipment (FF&E); 3) rehabilitation of leased space or owned buildings (including engineering and architectural and local permits or fees); 4) purchase of manufacturing equipment (with or without installation costs); 5) refinancing of existing debt when done in conjunction with financing other eligible costs; 6) purchase of real property; 7) required off-site improvements; 8) relocation grants for persons displaced due to funding of the project. Loan funds will be disbursed incrementally on a reimbursement basis as eligible costs are verified.

Funds under this Program are provided to eligible businesses as loans. Eligible loans are underwritten with similar standards and documentation as used by private commercial lenders: credit scores, equity contributions, historic income, projected income, collateral, and debt coverage. CDBG underwriting can be more flexible in some instances, depending on the business and amounts requested. The terms of the loan are typically more favorable than conventional commercial lenders, with lower interest rates and longer terms for repayment. These more favorable terms must be balanced by the borrower and Lender with the requirements to create jobs and meet other CDBG program requirements. The Administrator will work closely with the eligible businesses to ensure they understand the requirements of the Program and the benefits of participating.

3.2 INELIGIBLE USE OF FUNDS

Projects that do not create permanent jobs are not eligible. Projects that are primarily housing in nature are not eligible. Projects not meeting a CDBG national objective or public benefit or federal CDBG underwriting standards are not eligible. Projects must have reasonable assurance of repayment of loan funds.

Funds under this Program will not pay for reimbursement of expenses incurred prior to HCD and local loan approval and completion of project's environmental review, if any. Program funds will not be used to facilitate the movement of a business from one labor market area to another, as per job pirating restriction under HUD's regulations. Once approved, loan funds

cannot be shifted from one approved type of cost to another without formal written approval. Funds cannot be used to support other businesses in which the borrower may have an interest. Nonprofits are not eligible to use funds for furniture fixtures and equipment (FF&E) or working capital. Funding a project without Department review of loan underwriting and the Department's written approval will make the project ineligible.

3.3 MEETING A NATIONAL OBJECTIVE

All CDBG funded loans must meet a CDBG "National Objective" as described in the federal regulations and statutes.

Use of funds meeting the National Objective of "benefit to low income households" will require that the businesses receiving CDBG financing provide fifty one percent (51%) of the jobs created to low income persons. In order to meet this requirement, a third party designated by the Lender must certify family income levels of newly hired or retained employees to document that over half of them are qualified as low income. To ensure this requirement is met, the Lender

will require low income job creation in the CDBG loan documents signed at loan closing. All employee information is confidential and will not be released.

Use of funds meeting the National Objective of "elimination of slums and blight" must show that the business being assisted is in an area formally designated as blighted by the Lender based on a survey of properties in the area. These designated areas of blight must be approved by HCD staff. Documentation of meeting this national objective is done by providing a map of the area designated locally as blighted and also showing the business's address/location within the designated blighted area. In addition, as part of loan approval, CDBG assistance must be documented as directly assisting the project such that area blight is eliminated or prevented.

3.4 MEETING PROPER PUBLIC BENEFIT REQUIREMENT

Because a private business is receiving public funds, CDBG regulations require the creation of jobs by the business to show public benefit. Under the HUD federal regulations one full time equivalent (FTE) job must be created for each \$35,000 in CDBG assistance provided. So for one dollar to \$35,000 in CDBG financial assistance provided by the Lender, one FTE position must be created. Part time staff may be combined to make up one FTE. One FTE consists of 1,750 staff hours.

As with the national objective requirement outlined above, the CDBG public benefit requirement will be enforced via a loan agreement that the borrower executes at loan closing. The loan agreement requires that the business provide payroll documentation to the Lender or the Administrator showing job creation sufficient to meet \$35,000 per FTE requirement. Once sufficient jobs have been created and documentation is supplied to the Lender then no more monitoring for jobs will be required. CDBG loans are meant to create long term employment opportunities but ongoing long term monitoring is not required.

Each person who is a new hire, or is in a position retained because of CDBG loan funds, must complete a self-certification form. This form must be completed and provided to the Lender so that the demographic and income information can be included in the Annual Grantee Performance Report submitted to the Department. Lender or its Administrator will collect the

proper income documentation from applicants and use the HUD income calculator on HUD's web site

<http://www.hud.gov/offices/cpd/affordablehousing/training/web/calculator/definitions/part5.cfm> to determine the gross annual income for the family. The income from the HUD calculator will then be compared to the current published limits to verify that the new hire or position retained meets HUD's definition of low income.

3.5 OTHER FEDERAL REQUIREMENTS

There are a number of other federal laws and requirements that are triggered by the use of CDBG funding. The Lender and Administrator will take the lead and ensure compliance with these other CDBG regulations in conformance with standards set by HUD. Impacts these federal regulations will have on a proposed project will be explained to the borrower at the time of loan application.

National Environmental Policy Act (NEPA) regulations require an Environmental Review Record (ERR) to be submitted for each project / business funded with CDBG monies prior to award or approval of funds. The Lender is required to complete the proper NEPA review along with any state review under California's Environmental Quality Act (CEQA) review. The ERR level of review is based on the type of project proposed and ALL aggregated activities to be undertaken. The Administrator may complete the ERR for the Lender but the Lender must sign and take legal responsibility for the review. State CDBG staff must review and approve the ERR prior to loan approval or moving forward with the project.

Applicants will be informed of any additional time required for loan processing due to the NEPA review. The ERR will be done as soon as the Administrator determines that the project is eligible for funding. No costs will be charged to the borrower for this process. Once an application is submitted no activities can be performed on the project until completion of the ERR as this would be a choice limiting action under NEPA regulations.

Davis Bacon Federal Prevailing Wage Compliance is required when CDBG funding is used to pay for construction costs. This can add additional costs to projects that require CDBG funds for construction (for example: equipment installation or tenant improvements). In addition, state prevailing wage may be triggered in the use of CDBG funding. Loan processing staff will work with businesses to ensure funded businesses and projects are in compliance and disclose any additional time or work required due to the HUD federal prevailing wage regulations and federal procurement standards. Any additional costs resulting from this regulation will be incorporated into the business loan and subsidized with the CDBG funds.

Acquisition and Relocation laws may be triggered when using CDBG funds (24 CFR 570.606). Acquisition laws, both federal and state, must be followed when CDBG funds are used to assist in the purchase of real property. In the same way, federal and state relocation laws apply whenever there may be displacement of a person or business because of the use of CDBG funding. Loan processing staff will work with loan applicants to ensure the business is in compliance with any state or federal acquisition /relocation laws triggered by the project. Applicants will be informed of any additional time or costs or administrative work required due to acquisition or relocation regulations.

Required DUNS number, verification of not being on federal debarred list and insurance. All businesses who wish to receive funds under this Program will be required to obtain a DUN's number. The DUN's number is free and can be obtained online. In addition, prior to funding, the Lender will require that each business be checked to confirm they are not on the federal debarred contractors list. HUD also requires that the Department and the Lender collect certain income and demographic data from the business and any new hires resulting from the investment of CDBG funds. Applicants will be required to obtain all proper licenses and insurance to operate legally in the community.

Six (6) HUD Loan Underwriting Standards are required to be met by each CDBG loan. As previously mentioned, the loans originated under these guidelines will be underwritten using typical commercial loan underwriting criteria. There is some flexibility in how the underwriting criteria are used so the funds under this program are more advantageous than commercial business loans. In addition to the commercial lending underwriting criteria, HUD requires that six additional underwriting criteria be used because CDBG funds are public funds being provided to private for profit businesses.

3.6 REQUIRED LOAN REVIEW BY DEPARTMENT STAFF

Department staff must review each business assistance loan for procedural compliance with federal regulations and these adopted program guidelines. Upon review of local loan underwriting done by Lender or third party Administrator, a formal written approval letter will be issued by the Department. See **Attachment A** of these guidelines for a copy of the Department's current Loan Approval Checklist and guidance on underwriting different types of business assistance loans.

Note: It is recommended that the loan approval package be submitted to the Department for review prior to obtaining formal local approval. Once the Department has approved the loan underwriting process and CDBG regulation compliance, then the Lender can take the loan to the local loan committee for approval.

4.0 LOAN PROCESSING AND APPROVAL

4.1 PROGRAM MARKETING

Program marketing will be conducted by Administrator and Lender staff. The designated staff for the Administrator will arrange local media coverage with ads in local papers. Marketing brochures will be distributed to local chamber of commerce and business networking organizations. Presentations will be scheduled for local service organizations such as Rotary and real estate organizations in the area. Local commercial lenders will be contacted and information will be provided. Program will be promoted via the City's website and social media. Lender staff will work closely with Administrators to ensure maximum outreach and program education takes place in the service area and that applicants receive the same information regarding the program, and that applications are processed in accordance with these locally adopted program guidelines.

4.2 FAIR LENDING COMPLIANCE

This program will be implemented consistent with the Lender's commitment to fair lending laws. No person or business shall be excluded from participation in, denied the benefit of, or be

subjected to discrimination under any program or activity funded in whole or in part with Program funds on the basis of his or her religion or religious affiliation, age, race, color, ancestry, national origin, sex, marital status, familial status (number or ages of children), physical or mental disability, sexual orientation, or other arbitrary cause. All personal information of loan applicants will be kept confidential.

4.3 LOAN APPLICATION PROCESSING

Loan applications will be processed on a first-come first-served basis. The Administrator will accept loan applications and review them for initial eligibility. Applications that do not meet basic requirements of the program will be returned with an explanation of requirements needing to be met. Applications that do meet basic eligibility requirements will be sent out with instructions including any requests for additional information. The Administrator may also meet with the business owners and visit the site of the business.

Loan files will be set up as applications are received and proper information gathered. The Administrator will pay a visit to the businesses location and meet personally with the owner(s). Technical assistance will be provided as needed to help the business provide proper information for loan underwriting. The business will be required to provide proper financial information and agree to have credit checks conducted as part of loan processing. The Administrator may provide sample financial forms (balance / cash flow sheets, profit and loss, personal financial statements, pro formas) but in no instance shall the Administrator's staff or the Lender's staff fill out financial forms for the applicant. The applicant will be referred to local supporting resources such as local business assistance development organizations that are available to assist applicants in producing proper financial statements, a formal business plan, a market study or accounting documents as needed.

Loan applicants are responsible for providing accurate and timely information to the program administration staff as part of the loan process. This includes disclosing any other businesses in which the owner has 20% or more interest. All the owners of the business, owning 20% or more interest in the business must provide proper financial information. Borrower(s) will be required to provide sources of security that the Lender can lien. Borrower(s) will provide financial information from the past performance of the business with explanations of special circumstances of past performance. Owner(s) must provide information on equity invested in the business to date and any current assets available for equity investment into the project. Borrower will be required to work with accounting staff to determine future income projections for the business that are reasonable and in line with past trends of the business. If the loan applicant does not provide required information and documentation to the Administrator in a timely fashion, then any delay in the loan approval process is not the responsibility of the Lender or Administrator.

Once the Administrator has compiled a complete loan file with all the credit, financial, and underwriting information needed to show loan is eligible under these guidelines, then a loan committee approval memo will be drafted. The draft loan memo with proper documentation per the **Attachment A** loan approval checklist will be submitted to the Department for review.

If the Department approves the loan's underwriting then it will be submitted to the Lender's Loan

Approval Board (LAB) for approval. Once the loan is approved by the LAB then loan documents can be drawn for loan closing.

4.4 PROGRAM LOAN ADVISORY BOARD

The Loan Advisory Board (LAB) shall be made up of an odd number of persons. The Lender's staff shall ask LAB members to volunteer for this board. The LAB members may be from local financial institutions, the Lender, or other interested parties who have the professional capacity to review and evaluate commercial loans. See **Attachment A** for sample LAB loan approval memo.

LAB loan review and approvals will take place after Department review and approval. If the LAB makes significant changes to the approval requirements, the loan must be resubmitted to the Department for a second review and final approval before funding. LAB meetings will be scheduled by Lender staff in conjunction with Administrator staff once a loan has been underwritten and is ready for review and approval. LAB members are responsible for reviewing each loan application funding proposals and making recommendations to the Lender. LAB may request additional information and or attach contingencies for final approval and loan closing.

4.5 LOAN MONITORING

Two separate loan files will be maintained. The first is the legal file which holds all original loan documentation. This file shall be kept in a fireproof vault for safekeeping. The second is a credit file which shall contain the day-to-day administrative records of the loan. At a minimum the legal file shall include:

- Note
- Loan Agreement, including Non-Financial Employment Plan
- Deed of Trust
- General Security Agreement
- Personal Guaranty
- Corporate Guaranty
- Subordinate Agreement
- Life Insurance Policy and Agreement
- Hazard Insurance Policy and Agreement
- General Resolution
- Certificate of Security
- Opinion of Counsel
- Inter-creditor Agreement
- Lease Agreement

The credit file shall contain, at a minimum, the loan application and financial information associated with the application, credit memo, final CRC approval, disbursement records, reports of site visitors, updated financial information provided by borrower, job creation/retention data, etc.

A reporting system shall be established for each loan and the loan portfolio as a whole. The report should be updated at least annually. The report shall be used by the designated loan servicing agency (DLSA) to monitor the loans and identify problems. The report shall contain the following:

- Fund Report Balance: A monthly summary of the beginning fund balance, principal and interest recaptured during the month, disbursements made during the month and funds committed but not yet disbursed, and amount remaining in the Business Loan Programs which are unencumbered. The monthly receipts from the lender on each loan shall serve as the basis for this report.
- Portfolio Summary Report: A semi-annual summary of the total loans outstanding and authorized loans. The report shall include a statement on each loan, prepared by the DLSA. The report shall include the last payment date and loan balance. Delinquent loans shall be identified and a summary of action to date to collect delinquent loans shall be included.
- Employment Report: A semi-annual report on each project detailing the jobs created/retained, and those hired that meet the Targeted Income Group.
- Loan Loss and Delinquent File: A list of all loans that have been classified as uncollectible and a summary of foreclosure procedures to date on the loan. Loans that are delinquent shall also be listed, along with a summary of recommended steps, and steps taken to date.
- Tickler File: A listing of the current loan portfolio and dates for receipt of financial statements, employment information, renewal of UCC-1 filings, review date, dates for insurance renewal and other information.

In addition, a loan monitoring file shall be established which shall include a summary of the monitoring requirements of the State Department of Housing and Community Development. A tickler file shall be part of this overall file to insure that loan and Business Loan Program monitoring is undertaken and completed.

4.6 LOAN APPLICANT CONFIDENTIALITY

Persons serving as the Administrator and Lender and LAB for this Program will not disclose any of the Borrowers' personal confidential information as part of loan approval process. All confidential information of businesses will only be disclosed to persons required to view the information as part of loan review and approval. All personal and business confidential information of loan applicants will be kept in a locked secured storage facility and shall not be available to persons outside of the program. If the Lender or Administrator or Department get a request for public records for a loan applicant then only non-confidential information, as verified by legal counsel, will be provided.

4.7 APPLICANT DISPUTE RESOLUTION/APPEALS PROCEDURE

Any business applying for assistance through this CDBG program has the right to appeal if its application is denied. The appeal must be made in writing to the Administrator and the Lender. The LAB will schedule a meeting for the appeal to be heard. If the application is denied a second time then the person may ask to have their appeal presented to the Lender's governing body for a final decision.

The Administrator is responsible to the Lender to assure that the Program is implemented in compliance with state and federal regulations. In addition, loans must be underwritten in

accordance with proper program guidelines in a timely and responsible manner. This includes developing accurate and professional files, work write-ups and contract documents. The Administrator or his/her representatives will ensure the funded activities are completed and the jobs are created in accordance with federal regulations.

4.8 NO CONFLICT OF INTEREST ALLOWED

In accordance with Title 24, Section 570.611 of the code of federal regulations, no member of the governing body and no official, employee or agent of the local government, nor any other person who exercises policy or decision-making responsibilities (including members of the loan committee and officers, employees, and agents of the loan committee, the administrative agent, contractors and similar agencies) in connection with the planning and implementation of the CDBG program shall directly or indirectly be eligible for this program. Exceptions to this policy can be made only after public disclosure and formal approval by the governing body and authorized in writing by Lender's legal counsel. In the event representatives from the financial community on the LAB have a separate financial interest (excluding regular checking and savings accounts) in a loan applicant, such member will not participate in loan deliberations.

4.9 EXCEPTIONS / SPECIAL CIRCUMSTANCES

Exceptions are defined as any action which would depart from policy and procedures stated in the guidelines. For example, if the cost of rehabilitation for critical code deficiencies exceeds 100% of the after-rehabilitation value of the property, the LAB can, on a case-by-case basis, accept a partially secured loan.

The Lender or its agent may initiate consideration of an exceptional/special circumstance. A report on the situation will be prepared. This report shall contain a narrative, including the staff's recommended course of action and any written or verbal information supplied by the applicant. The Loan Committee shall make a determination of the exceptional/special circumstances request at a regular or special meeting.

Loan payments may, on a case by case basis, be deferred for a period of time to allow a startup or expansion of a business to take place. This payment deferral determination is made by the Administrator based on the break-even point of the business in the future and the ability of the owner to pay his or herself for his or her efforts.

4.10 LOAN CLOSING PROCESS

Upon approval by the CDBG Program, the Administrator and Lender will prepare for the loan closing. The Borrower will sign all the necessary documents and agreements. The Lender will request a drawdown of CDBG funds from the Department. The Administrator will prepare the loan closing documents; prepare title and lien searches, and UCC-1 filings, if appropriate. Lender legal counsel will review all agreements and documents, as necessary. Escrow companies may be used to close loans and secure liens.

5.0 DESCRIPTION OF LOANS

5.1 DETERMINATION OF LOAN AMOUNT

The Program has no maximum loan amount. Typical loans are anticipated to be below \$200,000 per applicant. As per Department requirements, loans in excess of \$250,000 must be formally approved by the Department's Economic Development Advisory Committee (EDAC). This additional EDAC approval typically adds 60 to 90 days to the loan approval process.

Loan amounts will be determined based on number of jobs to be created or retained, the ability of the business to service the new CDBG loan payment, and the reasonableness of the costs to be paid for by CDBG. If there are not sufficient CDBG funds for the project then the program administrator can assist in locating other public or private funding to leverage CDBG funding with.

5.2 DETERMINATION OF LOAN TERM

The loan term is tied directly to what is being funded and what security is being pledged for the loan. If a business only wants operating capital then the term of the loan is normally five to seven years. If a business wants to pay for equipment and supplies then the term of the loan can be extended out to 10 years. If the loan is for real property improvements and can be secured on real property, then it can be secured for 20 to 30 years. Staff will confirm that the proper term is given based on the use of the funds and collateral being provided.

5.3 DETERMINATION OF LOAN INTEREST RATE

Most loans will have an interest rate of one to three percent (1% -3%). This rate may be increased if the investment of CDBG funds at the three percent level causes the business to have an excessive profit. National standards of business profit margins will be used for comparison to make this determination. The loan's interest rate will be determined based on the underwriting analysis done by the Administrator. Some of the factors that will drive the interest rate costs are: 1) amount of equity the business brings into the proposed project; 2) ability of business to service the loan; 3) the rate of return the borrower will receive with a lower interest rate; 4) credit risk factors and management experience will also be used to determine what interest would best work for the business. By allowing the interest rate to move and not be fixed, the Lender can best tailor the loans under this program to meet the needs of different businesses in the community.

5.4 LOAN PROCESSING FEES

The CDBG program provides administration funds to pay for loan processing costs. No direct loan fees will be charged to the borrower. However, a loan servicing fee will be charged to the borrower upon close of the loan. This amount will not pay for any costs already paid for by program activity delivery. There is no pre-payment penalty on the loans under this program.

6.0 LOAN UNDERWRITING STANDARDS

6.1 INITIAL LOAN EVALUATION

Each project / business will be evaluated based on how it has performed in the past and its future financial forecasts. Specifically the following questions will be considered upon receipt of a loan application.

- Will the business create or retain jobs?

- Will project meet a CDBG national objective?
- Are the costs to be paid CDBG eligible?
- Are the business and all owners' credit worthy?
- Do they have good "character" (pay bills on time, collect on time)?
- If a startup, does business have management capacity?
- Does startup have solid business plan and document market demand?
- Does the business have financial expertise to expand or start up?
- Is the owner(s) contributing a reasonable amount of equity?
- Is the owner able to get conventional bank financing, if not, why not?
- Was the business financially viable in the past (net income covers debt)?
- Are there reasonable financial assumptions for future viability/success?
- Is there enough collateral available to secure the loan funds?

By collecting enough initial application information from the Borrower(s) to answer the above list of questions, the Administrator will have a good sense of how strong a borrower is and how successful they will be if given a CDBG loan. Most of this information is verbally collected at the initial site visit with the owner. By meeting the borrower and asking these questions the Administrator will know what additional information/documentation needs to be collected to provide a clear picture of how CDBG funds can be used to assist the applicant. These questions demonstrate the need for CDBG funds.

After the initial review the Administrator/ application processor will collect the proper information required for loan underwriting. Part 570, Appendix A of the Guidelines and Objectives for Evaluating Project Costs and Financial Requirements issued by the Department of Housing and Urban Development shall be used for project evaluation. The amount of documentation and detailed underwriting is based on size of the loan and type of business (existing or start up) and whether job creation or retention is used. Additional documentation may be required to clarify special circumstances of the business. Below are some to the basic underwriting requirements for a typical loan applicant.

6.2 PERSONAL AND BUSINESS CREDIT REQUIREMENTS

Each applicant will have third party credit reports obtained for them. All owners of the business with 20 percent or more interest will have credit reports provided for them. The primary applicant business and all associated businesses of the owners (20% or more ownership) will have a Dunn and Bradstreet report obtained on them as well.

Most credit reporting services will provide credit scores. For this program, credit scores of 550 and above are considered good credit. If no credit scores are available then a narrative must be summarized by the Administrator to give a justification for making a determination of good or bad credit. This same narrative process will be used for the business credit reports to demonstrate the good standing or poor standing of the business being evaluated.

6.3 PERSONAL AND BUSINESS FINANCIAL INFORMATION

Personal financial statements will be required for each person who owns 20% or more of the business. Financial statements need to show all assets and liabilities of the interest holder. In addition to these statements, federal tax return statements for owners and the business for the past three years are needed to give a historic perspective of income.

For the business, historic financial statements will be required. These will consist of past three year's balance sheets and cash flow statements. These statements should be put together by the person responsible for doing the bookkeeping and finance management for the business. Based on these statements the Lender can develop ratios for debt service and payment history, etc.

The business will also need to provide future projected financials. These will consist of pro formas showing projected revenue and costs for the business on a monthly basis for each fiscal year for three years out. Startups may need to provide five years of projections. These pro formas need to be completed showing the business projections with CDBG financing and showing the business with conventional financing. This will provide evidence of the benefit / increased profit the business is receiving by using the more affordable CDBG loan. These pro formas must also show the increased costs of the business due to the new jobs created and the additional CDBG debt service.

Combined debt coverage ratio on the project with proposed CDBG financing should not be less than 1:10. Meaning for every dollar in debt, the borrower has one dollar and ten cents to in net income to cover those loan payments.

A project sources and uses form must be provided to show what funding is required to complete the proposed loan activity. This form will show the owners' equity as well as private bank financing and any other investments from other sources. The sources and uses give a clear idea of what costs the CDBG loan will cover and its information must be reflected in the pro formas as described above.

Using the information in these financial statements, along with any back up documentation required, will allow the Administrator to do the project's underwriting analysis. This analysis will include both the conventional lending underwriting and HUD required underwriting.

6.4 COLLATERAL REQUIREMENTS

All loans under this program will be collateralized using normal commercial lending standards. Collateral coverage will be assessed based on assets available as security and the level at which they are already liened. CDBG funding is typically in a subordinate position to banks and other lenders. It is the goal of the Program to get the best lien position possible to ensure loan repayments and permanent job creation. Types of collateral may include:

- Secured liens on real property,
- UCC liens on machinery, equipment, or other fixtures,
- Lease assignments, as appropriate,
- Personal and corporate guarantees, as appropriate, and
- Life insurance and other collateral, as appropriate.

Appraisal of assets may be required as part of determining how to obtain the best lien positions for the CDBG loan. Combined loan to value ratio on collateral for the typical CDBG loan should not exceed ninety percent (90%). Equipment and inventory secured should be properly discounted to reflect actual resale value when doing loan to value calculations.

6.5 BUSINESS EXPERIENCE AND MANAGEMENT CAPACITY

The Administrator will obtain resumes and management histories to show the experience of business owners and their management staff in successful operation of the existing business or a comparable business. This will be most important with startup businesses or with applicants that wish to use CDBG funds to purchase an existing business that is closing.

7.0 LOAN SERVICING

7.1 Loan Servicing Agent

Program loan repayments will be collected by the City of Lakeport. Gross collected payments will be provided to the Lender for deposit into the proper CDBG program income revolving loan account(s) in accordance with the currently approved CDBG program income reuse plan. All costs for loan collection activities will be billed separately by the loan servicing agent to the Lender. Payment of loan service agent will be done using the reuse plan's general administration annual allowable costs. The Lender's loan servicing agent will provide itemized accounts of which open grants or program income accounts the loan payments should be attributed to. This information will allow the Lender to do proper program income reporting to the Department.

The Lender will require periodic financial statements from borrowers (typically annual) to be reviewed by the loan servicing agent. Upon reviewing the borrower's financial statements, the loan servicing agent will be able to determine how well the business is doing and if the business needs technical assistance to improve their business model. This review will also allow the Lender to be proactive in exercising liens on the borrower's assets if it is clear the business is going to close.

7.2 Loan Servicing Policies

The lender has adopted a set of loan servicing policies that outline how the lender will proceed if payments are late or no payments are received. The policies also outline how loan files will be set up and protected. These policies are available upon request from the Lender.

8.0 PROGRAM OVERSIGHT BY LENDER

8.1 OVERSIGHT OF PROGRAM ADMINISTRATOR

The Lender's staff will serve as the primary contact with the State CDBG program representative for the Program. Lender's staff will be responsible for securing services of a qualified Administrator for implementation of this Program.

The Administrator can be secured via proper CDBG procurement or a subrecipient agreement or a Non-profit Development Organization Agreement. The Administrator will follow these adopted program guidelines. The Lender's staff will work directly with the Administrator and be kept informed of all marketing efforts and outreach. The Administrator will provide a monthly tracking sheet to the Lender's staff that shows all applications received and in different stages of process.

As per the agreement between the Lender and Administrator, all required reports for the Program will be reviewed and approved by the Lender's staff prior to any signatures. For financial reporting, the Lenders staff will ask for the Lender's fiscal staff to review and approve each fiscal report.

Once a loan is able to be approved, the Lender's staff will review the loan package and coordinate submittal to the State for review and approval. When State CDBG written approval is given, then the Lender's staff will schedule a Loan Advisory Board (LAB) meeting for loan approval. The Lender's staff will ensure all loan documents are properly reviewed by legal staff and meet CDBG requirements prior to signing by the borrower.

8.2 OVERSIGHT OF LOAN SERVICING AGENT

The Lender's staff will also be responsible for employing or otherwise securing the services of a loan servicing agent. The loan servicing agent will comply with local loan servicing policies when collecting payments. All loan repayments of past CDBG economic development loans will be serviced by one agency experienced in collecting and servicing business loans. The Lender's staff will work closely with the loan servicing agent in monitoring the Lender's existing economic development loans. The loan servicing agent will give monthly reports on the status of loan payments to be reviewed by the Lender's Program oversight staff and fiscal staff as well. If the loan servicing agent needs to visit a borrower to talk about late payments or discuss how the business is doing, then the Lender's staff shall be invited to attend the meeting as well.

At each LAB meeting the Lender's staff and loan servicing agent will brief the members on any problems or concerns regarding repayments of existing loans. This includes decisions to foreclose and declare defaults. In addition, the governing body will make the final decisions regarding loan collection in conjunction legal counsel and staff.

City staff will complete required State CDBG financial reports for program income. City staff will complete the proper quarterly and annual program income reports for review, approval, signature and submittal by the Lender to the State CDBG program representative. City staff will consult and monitor the loan servicing agent in the same way the Administrator is monitored.

9.0 DELINQUENCIES, DEFAULTS AND FORECLOSURES

9.1 Acknowledgement of Temporary Limited Repayment Ability

The City acknowledges that circumstances beyond the borrower's control may temporarily limit their repayment ability. The City desires to be flexible and accommodating to our business clients. Therefore, if for any reason a business cannot make its loan payments in accordance with the terms and conditions of its agreements, the DLSA shall be so notified in writing by the client.

Although the DLSA may accommodate a crisis that restricts the borrower's repayment ability, it should in no way be construed that the loan is not due and payable in a timely fashion. All loans made by the Business Loan Program shall be repaid in accordance with the terms and conditions of the loan agreement.

9.2 Delinquency Notices

- A. Twenty (20) Day Delinquency Notices- The DLSA will send the borrower a letter noting the delinquent payment amount plus any applicable late charges. This letter will be followed by a telephone call reminding the borrower of the loan amount and due date.
- B. Thirty (30)- Sixty (60) Day Delinquency Notices- The DLSA will send a registered letter noting the delinquent amount plus any applicable late charges. In this letter, a date and time will be set for a meeting between the borrower and the DLSA. At this meeting a letter that addresses the following shall be provided by the borrower.
 - 1. Explanation of delinquency.
 - 2. Any changes in the business' fiscal status that limits repayment ability.
 - 3. Loan amount in arrears along with a specific proposal to bring loan payments current.

At the conclusion of this meeting the borrower and DLSA will determine how and when the loan can be brought current. The DLSA will notify the borrower, in writing, within five (5) calendars days of this agreement.

- C. If it is determined by the DLSA and the borrower that a temporary payment deferment is needed, the borrower shall submit said request in writing for loan committee consideration.

The loan committee may recommend approval of a temporary loan deferment for a period of not to exceed six (6) months based on a mutually acceptable repayment proposal.

Should a mutually acceptable repayment proposal not be reached, the loan committee, in collaboration with the DLSA may bring the matter before the full Board of Supervisors for review and consideration.

- D. If the borrower does not comply with Section B outline above, DLSA shall initiate foreclosure proceedings.

ATTACHMENT B

LOAN SERVICING POLICIES
for City of Lakeport
Business Assistance Loans

The City of Lakeport has adopted these policies and procedures in order to preserve its financial interest in properties whose "Borrowers" have been assisted with public funds. The City will to the greatest extent possible follow these policies and procedures, but each loan will be evaluated and handled on a case-by-case basis. The City has formulated this document to comply with state and federal regulations regarding the use of these public funds and any property restrictions, which are associated with them.

The policies and procedures are broken down into the following areas: 1) making required monthly payments or voluntary payments on a loan's principal and interest; processing of loan payments; 2) required payment of property taxes and insurance; 3) required Request for Notice of Default on all second mortgages; 4) annual oversight 5) required noticing and limitations on any changes in title or use of property; 6) required noticing and process for requesting a subordination during a refinance; 7) processing of foreclosure in case of default on the loan.

1. Loan Repayments and County Processing:

The City (or a designated loan servicing agency DSLA) will collect monthly payments from those borrowers who are obligated to do so under Notes which are amortized promissory notes.

For Notes which are deferred payment loans, the City/DSLA must accept voluntary payments on the loan. Loan payments will be credited to principal. The borrower may repay the loan balance at any time with no penalty.

Program loan payments will be made to:

City of Lakeport

When payments are received, they are endorsed with *For Deposit Only – City of Lakeport and Account No. _____*. A deposit slip is filled out and copied for the files. Deposit slip and payments are given to the City Treasurer for transportation to the City's bank for deposit to the appropriate Program Income Account as required by HCD.

Payments are recorded to their respective loans under: grants/Business Loans/amortized loan reports or deferred loan reports. Files are kept in a fire proof cabinet located at the Grants office at City Hall.

Loan balances are compared to the bank's monthly statement. In August, at the beginning of the City's fiscal year, reports are sent to each loan recipient declaring their loan payments and balances. The City sends their statements at the end of the fiscal year to coincide with the State's annual reporting schedule however, the loan recipient can call the City to ask for an up to date balance at any time.

2. Payment of Property Taxes and Insurance:

Property taxes must be kept current during the term of the loan. If the Borrower fails to maintain payment of property taxes then the lender may pay the taxes current and add the balance of the tax payment plus any penalties to the balance of the loan.

A current Certificate of Liability Insurance must be kept on file. Any documents needed for collateral must also be reviewed and kept up to date.

As part of keeping the loan from going into default, borrower must maintain property insurance coverage naming the City as loss payee in first position or additional insured if the loan is a junior lien. This insurance must be an amount adequate to cover all encumbrances on the property. If borrower fails to maintain the necessary insurance, the City may take out force placed insurance for a period not to exceed 60 days to cover the property while the Borrower puts a new insurance policy in place. The City may, in its discretion and upon the showing of special circumstances, make such premium payments for a longer period of time. Should the City make any payments, it may, in its sole discretion, add such payments to the principal amount that the applicant is obligated to repay the City under this program. The premium may be paid by the Program loan for one year. All costs for installing the necessary insurance will be added to the loan balance at time of installation of Borrower's new insurance.

When a property is located in a 100-year flood plain, the Borrower will be required to carry the necessary flood insurance. A certificate of insurance for flood and for standard property insurance with an endorsement naming the City of Lakeport as additional insured will be required at close of escrow. The City will verify the insurance on an annual basis.

3. Required Request for Notice of Default:

When the Borrower's loan is in second position behind an existing first mortgage, it is the City's policy to prepare and record a "Request for Notice of Default" for each senior lien in front of the City's loan. This document requires any senior lien holder listed in the notice to notify the County of initiation of a foreclosure action. The City will then have time to contact the Borrower and assist them in bringing the first loan current, if possible. The City can also monitor the foreclosure process and go through the necessary analysis to determine if the loan can be made whole or preserved. When the City is in a third position and receives notification of foreclosure from only one senior lien holder, it is in their best interest to contact any other senior lien holders regarding the status of their loans.

4. Annual Loan Oversight:

Periodic financial statements from the borrower(s) will be reviewed by the City or DSLA. Upon reviewing the borrower's financial statements, the DSLA will be able to determine how well the business is doing and if the business needs technical assistance to improve their business model. This review will also allow the Lender to be proactive in exercising liens on the borrower's assets if it is clear the business is going to close.

5. Required Noticing and Restrictions on Any Changes of Title or Occupancy:

In all cases where there is a change in title or occupancy or use, the Borrower must notify the City in writing of any change. The City and Borrower will work together to ensure the property is kept in compliance with the original Program terms and conditions such that it remains an eligible use of the Program funds. These types of changes are typical when Borrowers do estate planning (adding a relative to title) or if a Borrower dies and property is transferred to heirs or when the property is sold or transferred as part of a business transaction. Changes in title or occupancy must be in keeping with the objective of benefit to low-income households (below 80 percent of AMI).

6. Requests for Subordinations:

When a Borrower wishes to refinance the property, they must request a subordination request to the City. The City will subordinate their loan only when there is no "cash out" as part of the refinance. No cash out means that there are no additional charges on the transaction above loan and escrow closing fees. There can be no third party debt payoffs or additional encumbrance on the property above traditional refinance transaction costs. Furthermore, the refinance should lower the interest rate, and the total indebtedness on the property should not exceed the current market value.

Also, the loan must:

- a) be fully amortized and have a fixed interest rate that does not exceed the current market rate, as established by an index identified in the most recent NOFA;
- b) not have a temporary interest rate buy-down;
- c) have a term "all due and payable" in no fewer than 30 years; and;
- d) not have a balloon payment due before the maturity date of the Program loan.

Upon receiving the proper documentation from the refinance lender, the request will be considered by the loan committee for review and approval. Upon approval, the escrow company will provide the proper subordination document for execution and recordation by the City.

7. Process for Loan Foreclosure:

Upon any condition of loan default: 1) nonpayment; 2) lack of insurance or property tax payment; 3) change in title or use without approval; 4) default on senior loans, the City will send out a letter to the Borrower notifying them of the default situation. If the default situation continues then the City may start a formal process of foreclosure.

When a senior lien holder starts a foreclosure process and the City is notified via a Request for Notice of Default, the City, who is the junior lien holder, may cancel the foreclosure proceedings by "reinstating" the senior lien holder. The reinstatement amount or payoff amount must be obtained by contacting the senior lien holder. This amount will include all delinquent payments, late charges and fees to date. City must confer with Borrower to determine if, upon paying the senior lien holder current, the Borrower can provide future

payments. If this is the case then the City may cure the foreclosure and add the costs to the balance of the loan with a Notice of Additional Advance on the existing note.

If the City determines, based on information on the reinstatement amount and status of borrower, that bringing the loan current will not preserve the loan, then staff must determine if it is cost effective to protect their position by paying off the senior lien holder in total and restructure the debt such that the unit is made affordable to the Borrower. If the City does not have sufficient funds to pay the senior lien holder in full, then they may choose to cure the senior lien holder and foreclose on the property themselves. As long as there is sufficient value in the property, the City can afford to pay for the foreclosure process and pay off the senior lien holder and retain some or all of their investment.

If the City decides to reinstate, the senior lien holder will accept the amount to reinstate the loan up until five (5) days prior to the set "foreclosure sale date." This "foreclosure sale date" usually occurs about four (4) to six (6) months from the date of recording of the "Notice of Default." If the City fails to reinstate the senior lien holder before five (5) days prior to the foreclosure sale date, the senior lien holder would then require a full pay off of the balance, plus costs, to cancel foreclosure. If the City determines the reinstatement and maintenance of the property not to be cost effective and allows the senior lien holder to complete foreclosure, the City's lien may be eliminated due to insufficient sales proceeds.

City as Senior Lien holder

When the City is first position as a senior lien holder, active collection efforts will begin on any loan that is 31 or more days in arrears. Attempts will be made to assist the homeowner in bringing and keeping the loan current. These attempts will be conveyed in an increasingly urgent manner until loan payments have reached 90 days in arrears, at which time the City may consider foreclosure. County's staff will consider the following factors before initiating foreclosure:

- 1) Can the loan be cured and can the rates and terms be adjusted to allow for affordable payments such that foreclosure is not necessary?
- 2) Can the Borrower refinance with a private lender and pay off the City?
- 3) Can the Borrower sell the property and pay off the City?
- 4) Does the balance warrant foreclosure? (If the balance is under \$5,000, the expense to foreclose may not be worth pursuing.)
- 5) Will the sales price of the business "as is" cover the principal balance owing, necessary advances, (maintain fire insurance, maintain or bring current delinquent property taxes, periodic inspections of property to prevent vandalism, etc.) foreclosure, and marketing costs?

If the balance is substantial and all of the above factors have been considered, the City may opt to initiate foreclosure. The Borrower must receive, by certified mail, a thirty-day notification of

foreclosure initiation. This notification must include the exact amount of funds to be remitted to the City to prevent foreclosure (such as, funds to bring a delinquent BMIR current or pay off a DPL).

At the end of thirty days, the City should contact a reputable foreclosure service or local title company to prepare and record foreclosure documents and make all necessary notifications to the owner and junior lien holders. The service will advise the City of all required documentation to initiate foreclosure (Note and Deed of Trust usually) and funds required from the owner to cancel foreclosure proceedings. The service will keep the City informed of the progress of the foreclosure proceedings.

When the process is completed, and the property has "reverted to the beneficiary" at the foreclosure sale, the City could sell the business themselves under the Business Assistance Program or use it for an affordable rental property managed by a local business development authority or use it for an eligible use. The City could contract with a local real estate broker to list and sell the business and use those funds for program income eligible uses.

- **Demand Projections**

Given the approximate loan funding level available of \$250,000, combined with the companion loan approach in a small business lending environment, we can anticipate providing three to four loans in the \$35,000 to \$105,000 range. We also anticipate seven FTE's during the grant term with at least four of those jobs being filled by low to moderate income individuals.

3. Conclusions

- **Summation**

In conclusion, The City of Lakeport Business Assistance Loan Program will provide low fixed interest rate loans with extended repayment schedules in close cooperation with five local commercial lenders. While modest in size, the loan program should meet the existing need for gap financing in the community. Public Benefit will be obtained through the creation or retention of seven FTE's with at least four of these jobs being filled by members of the low moderate income group.

The program will be implemented by Community Development Services currently on contract with The City to provide CDBG business assistance program implementation functions.

- **Funding Request**

The City is seeking a total of \$300,000 for lending, administration and activity delivery purposes.

4. Benefit

- **HCD Required Form**

5. Readiness

- **Program Description**

The program will be implemented by Community Development Services, an experienced program operator very familiar with the Lakeport service area. The task matrix completed herein defines the roles and responsibilities of the jurisdiction and the consultants. The contract between Community Development Services and the City further defines the roles and responsibilities (see scope of work) of the consultant. Also provided herein is the Community Development Services State of Qualifications which provides background, resumes and experience of the program operator.



CITY OF LAKEPORT

City Council ☒
City of Lakeport Municipal Sewer District ☒
Lakeport Redevelopment Successor Agency ☐
Lakeport Industrial Development Agency ☐
Municipal Financing Agency of Lakeport ☐

STAFF REPORT

RE: Downtown Improvement Project Phase II Contract Award & Proposed Change Order No. 1

MEETING DATE: 4/19/2016

SUBMITTED BY: Paul Curren, City Engineer
Kevin M. Ingram, Community Development Director

PURPOSE OF REPORT: ☐ Information only ☒ Discussion ☒ Action Item

WHAT IS BEING ASKED OF THE CITY COUNCIL/BOARD:

The City Council is being asked to:

1. Award Downtown Improvement Project – Phase II to Granite construction for the amount of \$2,999,964.30.
2. Approve Change Order No. 1 to reduce the scope of work for a total deduction from the contract of \$209,160.00. (Revised contract amount of \$2,790,804.30)
3. Approve Granite Construction's request for substitution of Mike Brown Electric for the named subcontractor, Tennyson Electric.
4. Authorize City Manager, Margaret Silveira, to sign change orders not exceeding additional required funds of \$15,000 to the contract.

BACKGROUND/DISCUSSION:

Item One – Award Contract to Granite Construction

The Downtown Improvement Project Phase II consists of a three block area on North Main Street between First and Fourth Streets. Proposed improvements consisted of the demolition of existing sidewalks, construction of new 12' wide sidewalks, new handicap ramps at intersections, new street trees, new irrigation lines, new sidewalk tree grates and adjacent decorative sidewalk surfaces, relocation of existing decorative street lights and power supply, new storm drainage inlets and lines, limited new water and sewer infrastructure, and reconstruction/restriping of Main Street. Staff has held several community meetings with area residents and businesses providing updates and information on this large capital improvement project.

The project consists of four major elements paid by four different funding sources. The major elements include renovating the entire surface of the improvements and three utility elements. The surface improvements on Main Street between First and Fourth Streets include new and widened sidewalks and resurfaced pavement. A major design objective of providing accessible entrances to the business fronting the work will be achieved. The utility elements include upgrades to storm drainage, water services and sewer laterals.

The four project elements are funded by four revenue sources. These include the dedicated recovered redevelopment funds and reserve funds for storm drainage, sewer and water.

The project design was completed between August 2015 and February 2016 by Crawford & Associates. The project was put to bid on February 20, 2016. The notice inviting sealed bids was advertised within the local paper of record, placed upon the City of Lakeport Website and provided to the North Coast Builders Exchange. Additionally, personal calls or emails were made to seven area contractors with history in performing similar work. Four contracting firms sent representatives to the mandatory pre-bid meeting which was held on March 2, 2016. Considerable time was spent by staff in explaining the project scope and requirements. Four addendum were sent out in response to Contractor questions and to provide additional information. Bids were opened on March 24th. Only two bids were received. Low Bidder was Granite Construction at \$2,999,964.30 and Argonaut Construction at \$4,737,955.45. Granite was by far the most active in asking specific questions prior to bid. Both Contractor's used the same subcontractors for electrical and landscaping.

The bid was considerably higher than previous estimates. The surface portion was approximately 25% higher than anticipated and the utility costs were over 50% higher. In reviewing the bids, areas have been identified where project costs may be reduced to meet the constraints of the individual funding sources. The result of this review is Change Order No. 1 which reduces the surface improvement portion of the work by \$209,160 by deleting items which can be accomplished later or by City resources prior to the project. This reduced the project scope to be within the remaining funds for the former redevelopment project. Additional areas of savings are being analyzed, but will take more time to reach a final answer than is available prior to bid award. These changes will result in Change Order No. 2 in the approximate amount of \$185,000. Thus the final projected cost is in the order of \$2,606,000 which is within the current available funds for the project. See the fiscal impact section of this report for a breakdown of the funding sources. These items have been discussed with Granite in detail and they are amenable to the reduced scope of work.

Item Two – Approve Change Order No. 1

As explained under Item One above, Construction Change Order (CCO) 1 for a deduction of \$209,160.00 is necessary to reduce the project scope to meet available funds. The rationale for the changes are included in the attached Change Order No. 1 Memorandum (See Attachment 2).

Item Three – Approve Contractor Request for Subcontractor Substitution

Due to the reductions, the named electrical subcontractor indicated that they would not enter into a subcontract with Granite Construction. Granite has requested to substitute Mike Brown Electric for the named subcontractor, Tennyson Electric. This request is explained more fully in the attached Subcontractor Substitution Request Memorandum (See Attachment 4).

Item Four – Authorize City Manager to sign Change Orders not to exceed \$15,000 additional expenses

The project is on a very tight time frame if the objective to achieve paving of the project area prior to Labor Day is to be accomplished. To facilitate any changes which might be necessary in a timely manner, the Council is requested to authorize the City Manager to execute change orders not exceeding \$15,000 in order to provide signed change orders in a timely manner to the Contractor to avoid delays.

All proposed actions may be accomplished through the adoption of the proposed Resolution provided as a part of this staff report (See Attachment 1).

OPTIONS:

1. Adopt the proposed resolution as presented by staff.
2. Direct staff to make modifications or revisions to the proposed Resolution.
3. Take no action or take action to deny the proposed Resolution.

Alternatively, the City Council could provide other direction.

FISCAL IMPACT:

☐ None ☐ \$ Budgeted Item? ☒ Yes ☐ No

Budget Adjustment Needed? ☐ Yes ☒ No If yes, amount of appropriation increase: \$

Affected fund(s): ☒ General Fund ☒ Water OM Fund ☒ Sewer OM Fund ☒ Other: Fund 130: General Capital Improvements; Fund 414: Storm Drainage

Comments: The revised contract amount for construction is not to exceed \$2,790,804.30. Other project costs through construction (including inspection, City Engineer, and other in-house support staff) bring the total to \$2,942,546.

This project is funded from a combination of general fund, unspent former RDA bond proceeds, water O&M revenues, sewer O&M revenues, and impervious surface fees (storm drainage) collected.

General fund:

Use of City staff	\$14,754
Capital contribution	5,000
Contingency, 5%	91,063
Unspent RDA Bond Proceeds	1,801,514
Water O&M	358,074
Sewer O&M	516,714
Storm Drainage	155,427
Total	<hr/> \$2,942,546

In addition to the use of City staff, a small capital contribution to the project, and to be available to cover contingency costs for the project the general fund may be used to loan a portion of the water fund's commitment to the project, so as not to drain its reserves below a nominal threshold. If such a need arises, staff will return for authorization and the appropriate documents.

The City Council appropriated \$1,925,000 in the current budget year, which management believes is sufficient to cover project costs through the end of the budget year in June. Therefore, an adjustment to the City's budget is not requested at this time.

SUGGESTED MOTION:

Move to approve the resolution awarding the contract for the Downtown Improvement Project Phase II to Granite Construction and authorizing the City Manager to execute the agreement with associated Construction Change Order No. 1 and approve the request for substitution of electrical subcontractor.



Attachments:

1. Resolution Awarding Contract & Authorizing Change Order #1
2. Contract Change Order No. 1 Memorandum
3. Draft Change Order No. 1
4. Electrical Contractor Substitution Request
5. Bid Result Summary

RESOLUTION NO. _____ (2016)

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKEPORT
AWARDING THE CONTRACT FOR THE DOWNTOWN IMPROVEMENT PROJECT PHASE II TO
GRANITE CONSTRUCTION AND AUTHORIZING THE CITY MANAGER TO EXECUTE THE
AGREEMENT WITH A CHANGE ORDER TO REMOVE TWO ITEMS FROM THE PROJECT**

WHEREAS, on February 20, 2016 and February 26, 2016 a legal notice announcing the invitation to submit sealed bids for the Downtown Improvement Project Phase II (Bid No. 16-01) was advertised within the local paper of record; and

WHEREAS, the City of Lakeport ("City") opened the sealed bids for the Project on March 24, 2016 and determined that the apparent lowest responsible bidder is Granite Construction in the amount of \$2,999,964.30; and

WHEREAS, the City wishes to enter into a contract with Granite Construction for the Project, but the total amount of the bid exceeds the City's available budget for the Project; and

WHEREAS, the City has determined, using the itemized bidding information provided by both Granite Construction and the next lowest bidder, that deletion of Items 7 (Remove, Salvage, Store and Reset Trash Receptacles), 9 (Remove and Salvage Signs and Street Furniture), 29 (Remove, Salvage, Store and Reset Trash Receptacles), 30 (Install New Trash Receptacles), 66 (Install New Street Lights, Bases, & Pull Boxes), 68 (Electrical Outlet and Pigtales at Tree Well), 69 (Install Conductors for Tree Well Receptacles), 71 (Install Tree including all features), 72 (Maintenance Period, 6 month), 77 (Hanging Baskets) and the modification of work scope related to Item 63 (Relocate Street Lights & Install New Bases and Pull Boxes) will bring the Project within the City's available budgeted resources; and

WHEREAS, assuming that these items were deleted for the next lowest bidder, Granite Construction would still be the lowest bidder and therefore gains no competitive advantage as a result of this change; and

WHEREAS, the City further consents to the substitution of Mike Brown Electrical for the electrical subcontractor listed in the bid by Granite Construction pursuant to the terms of the Agreement and Public Contract Code section 4107, subd. (a)(3); and

WHEREAS, the proposed project is in compliance with the provisions of CEQA and the City's environmental review procedures as the city originally adopted a Mitigated Negative Declaration for the project in April 2006 based upon Environmental Review/Initial Study (ER 06-01) and adopted a revised said ER 06-01 and adopted a new Mitigated Negative Declaration in March 2016 to permit construction activities to occur at night.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LAKEPORT AS FOLLOWS:

Section 1. The above recitals are true and correct.

Section 2. The City Council hereby approves as to form and content the attached Agreement between the City and Granite Construction ("Agreement") (Exhibit "A"). The Mayor shall execute the Agreement on behalf of the City.

Section 2. The City Manager is authorized and directed to issue a change order to modify Item 63 (Relocate Street Lights & Install New Bases and Pull Boxes); Items 7 (Remove, Salvage, Store and Reset Trash Receptacles), 9 (Remove and Salvage Signs and Street Furniture), 29 (Remove, Salvage, Store and Reset Trash Receptacles), 30 (Install New Trash Receptacles), 66 (Install New Street Lights, Bases, & Pull Boxes), 68 (Electrical Outlet and Pigtales at Tree Well), 69 (Install Conductors for Tree Well Receptacles), 71 (Install Tree including all features), 72 (Maintenance Period, 6 month), 77 (Hanging Baskets); and, to otherwise take all actions necessary to implement and carry out the Agreement and change order on behalf of the City.

Section 3. The City Clerk shall certify to the adoption of this Resolution.

PASSED, APPROVED, AND ADOPTED this ____ day of _____, 2016.

AYES:

NOES:

ABSTAIN:

ABSENT:

APPROVED:

MARC SPILLMAN, Mayor
City of Lakeport

ATTEST:

KELLY BUENDIA, City Clerk
City of Lakeport

CERTIFICATE

STATE OF CALIFORNIA)
COUNTY OF LAKE) ss.
CITY OF LAKEPORT)

I, Kelly Buendia, City Clerk of the City of Lakeport, do hereby certify that the foregoing Resolution was passed, approved, and adopted at a regular meeting of the City Council held on _____, 2016.

DATED: _____, 2016

KELLY BUENDIA, City Clerk
City of Lakeport

ATTACHMENT 1

EXHIBIT "A"
[Public Works Agreement]

ARTICLES OF AGREEMENT

DOWNTOWN IMPROVEMENT PROJECT – PHASE II BID NO. 16-01 IN THE CITY OF LAKEPORT, CALIFORNIA

AGREEMENT

THIS DOWNTOWN IMPROVEMENT PROJECT – PHASE II, BID NO. 16-01 AGREEMENT (“AGREEMENT”) is made and entered into for the above-stated project this 19th day of April, 2016, BY AND BETWEEN the City of Lakeport, a municipal corporation, hereafter designated as “AGENCY”, and Granite Construction Company, a California corporation, hereafter designated as “CONTRACTOR.”

WITNESSETH that AGENCY and CONTRACTOR have mutually agreed as follows:

ARTICLE I: Contract Documents

The contract documents for the DOWNTOWN IMPROVEMENT PROJECT – PHASE II, BID NO. 16-01, shall consist of the Notice Inviting Sealed Bids, Instructions To Bidders, Bid Proposal, Bid Schedule, Standard Specifications, Special Provisions, and all referenced specifications, details, standard drawings, and appendices; together with two signed copies of the AGREEMENT, two signed copies of required bonds; one copy of the insurance certificates, permits, notices, and affidavits; and also including any and all addenda or supplemental agreements clarifying, amending, or extending the work contemplated as may be required to ensure its completion in an acceptable manner (collectively referred to herein as the “Contract Documents”). All of the provisions of the Contract Documents are made a part hereof as though fully set forth herein.

ARTICLE II: Scope of Work

For and in consideration of the payments and agreements to be made and performed by AGENCY, CONTRACTOR agrees to furnish all materials and equipment and perform all work required for the above-stated project, and to fulfill all other obligations as set forth in the aforesaid contract documents.

AGENCY hereby employs CONTRACTOR to provide the materials, do the work, and fulfill the obligations according to the terms and conditions herein contained and referred to, for the prices provided herein, and hereby contracts to pay the same at the time, in the manner, and upon the conditions set forth in this AGREEMENT.

In entering into a public works contract or a subcontract to supply goods, services, or materials pursuant to this AGREEMENT, CONTRACTOR offers and agrees to assign to the AGENCY all rights, title, and interest in and to all causes of action it may have under Section 4 of the Clayton Act (15 U.S.C. Sec. 15) or under the Cartwright Act (Chapter 2 (Section 16700, et seq.) of Part 2 of Division 7 of the Business and Professions Code), arising from purchases of goods, services, or materials pursuant to the public works contract or the subcontract. This assignment shall be made and become effective at the time the awarding body tenders final payment to CONTRACTOR, without further acknowledgment by the parties.

ARTICLE III: Compensation

A. CONTRACTOR agrees to receive and accept the prices set forth in the Bid Proposal and Bid Schedule as full compensation for furnishing all materials, performing all work, and fulfilling all obligations hereunder. In no event shall the total compensation and costs payable to CONTRACTOR under this Agreement exceed the sum of \$2,999,964.30, unless specifically approved in advance and in writing by AGENCY

Such compensation shall cover all expenses, losses, damages, and consequences arising out of the nature of the work during its progress or prior to its acceptance including those for well and faithfully completing the work and the whole thereof in the manner and time specified in the aforesaid Contract Documents; and also including those arising from actions of the elements, unforeseen difficulties or obstructions encountered in the prosecution of the work, suspension or discontinuance of the work, and all other unknowns or risks of any description connected with the work.

B. This AGREEMENT is subject to the provisions of Article 1.7 (commencing at Section 20104.50) of Division 2, Part 3 of the Public Contract Code regarding prompt payment of contractors by local governments. Article 1.7 mandates certain procedures for the payment of undisputed and properly submitted payment requests within 30 days after receipt, for the review of payment requests, for notice to Contractor of improper payment requests, and provides for the payment of interest on progress payment requests which are not timely made in accordance with that Article. This AGREEMENT hereby incorporates the provisions of Article 1.7 as though fully set forth herein.

C. At the request and expense of CONTRACTOR, securities equivalent to the amount withheld shall be deposited with AGENCY, or with a state or federally chartered bank in this state as the escrow agent, who shall then pay those moneys to CONTRACTOR upon Agency's confirmation of CONTRACTOR'S satisfactory completion of this AGREEMENT. At any time during the term of this AGREEMENT CONTRACTOR may, at its own expense, substitute securities for funds otherwise withheld as retention (or the retained percentage) in accordance with Public Contract Code § 22300.

ARTICLE IV: Labor Code

AGENCY and CONTRACTOR acknowledge that this AGREEMENT is subject to the provisions of Division 2, Part 7, Chapter 1 (commencing with Section 1720) of the California Labor Code relating to public works and public agencies and agree to be bound by all the provisions thereof as though set forth fully herein. Full compensation for conforming to the requirements of the Labor Code and with other Federal, State and local laws related to labor, and rules, regulations and ordinances which apply to any work performed pursuant to this AGREEMENT is included in the price for all contract items of work involved.

This AGREEMENT is further subject to prevailing wage law, including, but not limited to, the following:

A. The CONTRACTOR shall pay the prevailing wage rates for all work performed under the AGREEMENT. When any craft or classification is omitted from the general prevailing wage determinations, the CONTRACTOR shall pay the wage rate of the craft or classification most closely related to the omitted classification. The CONTRACTOR shall forfeit as a penalty to AGENCY \$200.00 or any greater penalty provided in the Labor Code for each Calendar Day, or portion thereof, for each worker paid less than the prevailing wage rates for any work done under the AGREEMENT in violation of the provisions of the Labor Code whether such worker is employed in the execution of the work by CONTRACTOR or by any Subcontractor under CONTRACTOR. In addition, CONTRACTOR shall pay each worker the difference between such prevailing wage rates and the amount paid to each worker for each Calendar Day, or portion thereof, for which each worker was paid less than the prevailing wage rate.

B. CONTRACTOR shall comply with the provisions of Labor Code Section 1777.5 concerning the employment of apprentices on public works projects, and further agrees that CONTRACTOR is responsible for compliance with Section 1777.5 by all of its subcontractors.

C. Pursuant to Labor Code § 1725.5, CONTRACTOR and any subcontractor must be registered with the California Department of Industrial Relations for any bid proposal submitted on or after March 1, 2015, and for any contract for public work entered into on or after April 1, 2015. Further, this project is subject to compliance monitoring and enforcement by the Department of Industrial Relations.

D. Pursuant to Labor Code § 1776, CONTRACTOR and any subcontractor shall keep accurate payroll records, showing the name, address, social security number, work classification, straight time and overtime hours worked each day and week, and the actual per diem wages paid to each journeyman, apprentice, worker, or other employee employed by him or her in connection with this AGREEMENT. Each payroll record shall contain or be verified by a written declaration that it is made under penalty of perjury, stating both of the following: (1) The information contained in the payroll record is true and correct; and (2) The employer has complied with the requirements of Labor Code §§ 1811, and 1815 for any work performed by his or her employees on the public works project. The payroll records enumerated under subdivision (a) shall be certified and shall be available for inspection at all reasonable hours as required by Labor Code § 1776.

E. This AGREEMENT is further subject to 8-hour work day and wage and hour penalty law, including, but not limited to, Labor Code Sections 1810 and 1813, as well as California nondiscrimination laws, as follows:

CONTRACTOR shall strictly adhere to the provisions of the Labor Code regarding the 8-hour day and the 40-hour week, overtime, Saturday, Sunday and holiday work and nondiscrimination on the basis of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, marital status, sex or sexual orientation, except as provided in Section 12940 of the Government Code. Pursuant to the provisions of the Labor Code, eight hours' labor shall constitute a legal day's work. Work performed by CONTRACTOR's employees in excess of eight hours per day, and 40 hours during any one week, must include compensation for all hours worked in excess of eight hours per day, or 40 hours during any one week, at not less than one and one-half times the basic rate of pay. CONTRACTOR shall forfeit as a penalty to AGENCY \$25.00 or any greater penalty set forth in the Labor Code for each worker employed in the execution of the work by CONTRACTOR or by any Subcontractor of CONTRACTOR, for each Calendar Day during which such worker is required or permitted to the work more than eight hours in one Calendar Day or more than 40 hours in any one calendar week in violation of the Labor Code.

F. This AGREEMENT is subject to Public Contract Code Section 6109: CONTRACTOR shall be prohibited from performing work on this project with a subcontractor who is ineligible to perform work on the project pursuant to Sections 1777.1 or 1777.7 of the Labor Code.

ARTICLE V: Work Site Conditions

A. In compliance with and pursuant to Government Code Section 4215, AGENCY shall assume the responsibility, as between the parties to this AGREEMENT, for the timely removal, relocation, or protection of existing main- or trunk-line utility facilities located on the site of any construction project that is a subject of this AGREEMENT, if such utilities are not identified by AGENCY in the plans and specifications made a part of the invitation for bids. The Contract Documents shall include provisions to compensate CONTRACTOR for the costs of locating, repairing damage not due to the failure of CONTRACTOR to exercise reasonable care, and removing or relocating such utility facilities not

indicated in the plans and specifications with reasonable accuracy, and for equipment on the project necessarily idled during such work. CONTRACTOR shall not be assessed liquidated damages for delay in completion of the project, when such delay was caused by the failure of AGENCY or the owner of a utility to provide for removal or relocation of such utility facilities.

B. To the extent that the work requires trenches in excess of five feet (5') and is estimated to cost more than \$25,000, prior to any excavation, CONTRACTOR must provide the AGENCY, or a registered civil or structural engineer employed by the AGENCY to whom authority has been delegated to accept such plans, a detailed plan showing the design of shoring, bracing, sloping, or other provisions to be made for worker protection from the hazard of caving ground during the excavation of such trench or trenches. If such plan varies from the shoring system standards, the plan shall be prepared by a registered civil or structural engineer. Nothing in this section shall be deemed to allow the use of a shoring, sloping, or protective system less effective than that required by the Construction Safety Orders.

C. This AGREEMENT is further subject to Public Contract Code Section 7104 with regard to any trenches deeper than four feet (4') involved in the proposed work as follows:

CONTRACTOR shall promptly, and before the following conditions are disturbed, notify AGENCY, in writing, of any:

- (1) Material that CONTRACTOR believes may be hazardous waste, as defined in Section 25117 of the Health and Safety Code, which is required to be removed to a Class I, Class II, or Class III disposal site in accordance with existing law.
- (2) Subsurface or latent physical conditions at the site differing from those indicated by all available information provided prior to the deadline for submission of bids.
- (3) Unknown physical conditions at the site of any unusual nature, different materially from those ordinarily encountered and generally recognized as inherent in work of the character provided for in the contract.

AGENCY shall promptly investigate the conditions, and if it finds that the conditions do materially so differ, or involve hazardous waste, and cause a decrease or increase in CONTRACTOR's cost of, or the time required for, performance of any part of the work, AGENCY shall issue a change order under the procedures described in this AGREEMENT.

In the event that a dispute arises between AGENCY and CONTRACTOR whether the conditions materially differ, or involve hazardous waste, or cause a decrease or increase in CONTRACTOR's cost of, or time required for, performance of any part of the work, CONTRACTOR shall not be excused from any scheduled completion date provided in the AGREEMENT, but shall proceed with all work to be performed under the AGREEMENT. CONTRACTOR shall retain any and all rights provided either by contract or by law which pertain to the resolution of disputes and protests between the contracting parties.

ARTICLE VI: Insurance

- A. With respect to performance of work under this AGREEMENT, CONTRACTOR shall maintain, and shall require all of its subcontractors to maintain, insurance as required by Section E "Standard Specifications" of the Contract Documents.
- B. This AGREEMENT is further subject to Workers' Compensation obligations, including, but not limited to, California Labor Code Sections 1860 and 1861 as follows:

CONTRACTOR shall take out and maintain, during the life of this contract, Worker's Compensation Insurance for all of CONTRACTOR's employees employed at the site of improvement; and, if any work is sublet, CONTRACTOR shall require the subcontractor similarly to provide Worker's Compensation Insurance for all of the latter's employees, unless such employees are covered by the protection afforded by CONTRACTOR. CONTRACTOR and any of CONTRACTOR's subcontractors shall be required to provide AGENCY with a written statement acknowledging its obligation to secure payment of Worker's Compensation Insurance as required by Labor Code § 1861; to wit: 'I am aware of the provisions of Section 3700 of the Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract.' If any class of employees engaged in work under this AGREEMENT at the site of the Project is not protected under any Worker's Compensation law, CONTRACTOR shall provide and shall cause each subcontractor to provide adequate insurance for the protection of employees not otherwise protected. CONTRACTOR shall indemnify and hold harmless AGENCY for any damage resulting from failure of either CONTRACTOR or any subcontractor to take out or maintain such insurance.

ARTICLE VII: Indemnification

To the fullest extent permitted by law, CONTRACTOR shall, at its sole cost and expense, fully defend, indemnify and hold harmless AGENCY, its authorized representatives and their respective subsidiaries, affiliates, members, directors, officers, employees and agents (collectively, the "Indemnitees") from and against any and all claims, actions, demands, costs, judgments, liens, penalties, liabilities, damages, losses, and expenses, including but not limited to any fees of accountants, attorneys or other professionals (collectively "Liabilities"), arising out of, in connection with, resulting from or related to, any alleged act, omission, fault or negligence of CONTRACTOR, CONTRACTOR's Representative, or any of its officers, agents, employees, Subcontractors or Suppliers, or any person or organization directly or indirectly employed by any of them (Collectively, the "Indemnitors"), in connection with or relating to or claimed to be in connection with or relating to the work performed under this AGREEMENT. CONTRACTOR shall not be entitled to any refund of attorneys' fees, defense costs and expenses in the event that it is adjudicated to have been non-negligent.

CONTRACTOR shall not be required to defend or indemnify AGENCY for liabilities caused by the sole active negligence or willful misconduct of the AGENCY.

If CONTRACTOR is a joint venture or partnership, each venturer or partner shall be jointly and severally liable for any and all of the duties and obligations of CONTRACTOR that are assumed under or arise out of this AGREEMENT. Each of such venturers or partners waives notice of the breach or non-performance of any undertaking or obligation of CONTRACTOR contained in, resulting from or assumed under this AGREEMENT, and the failure to give any such notice shall not affect or impair such venturer's or partner's joint and several liability hereunder.

ARTICLE VIII: Binding Effect

AGENCY and CONTRACTOR each binds itself, its partners, successors, assigns, and legal representatives to the other party hereto and to its partners, successors, assigns, and legal representatives in respect of all covenants, agreements, and obligations contained in the Contract Documents. This AGREEMENT is not assignable nor the performance of either party's duties delegable without the prior written consent of the other party. Any attempted or purported assignment or delegation of any of the rights or obligations of either party without the prior written consent of the other shall be void and of no force and effect.

ARTICLE IX: Dispute Resolution

A. Any court action arising out of this AGREEMENT shall be filed in the Lake County Superior Court. Any alternative dispute resolution proceeding arising out of this AGREEMENT shall be heard in the County of Lake.

B. AGENCY shall have full authority to compromise or otherwise settle any claim relating to this AGREEMENT or any part hereof at any time. AGENCY shall provide timely notification to CONTRACTOR of the receipt of any third-party claim relating to this AGREEMENT. AGENCY shall be entitled to recover its reasonable costs incurred in providing the notification required by this section.

C. This AGREEMENT is further subject to the provisions of Article 1.5 (commencing at Section 20104) of Division 2, Part 3 of the Public Contract Code regarding the resolution of public works claims of less than \$375,000. Article 1.5 mandates certain procedures for the filing of claims and supporting documentation by Contractor, for the response to such claims by the Agency, for a mandatory meet and confer conference upon the request of Contractor, for mandatory nonbinding mediation in the event litigation is commenced, and for mandatory judicial arbitration upon the parties' failure to resolve the dispute through mediation. This AGREEMENT hereby incorporates the provisions of Article 1.5 as though fully set forth herein.

ARTICLE X: Independent Contractor

CONTRACTOR is and shall at all times remain as to AGENCY, a wholly independent contractor. Neither AGENCY nor any of its agents shall have control of the conduct of CONTRACTOR or any of CONTRACTOR's employees, except as herein set forth. CONTRACTOR shall not at any time or in any manner represent that it or any of its agents or employees are in any manner agents or employees of AGENCY.

ARTICLE XI: Taxes

CONTRACTOR is responsible for paying all retail, sales and use, transportation, export, import, special or other taxes and duties applicable to, and assessable against any work, materials, equipment, services, processes and operations incidental to or involved in this AGREEMENT. The CONTRACTOR is responsible for ascertaining and arranging to pay such taxes and duties. The prices established in this AGREEMENT shall include compensation for any taxes the CONTRACTOR is required to pay by laws and regulations in effect as of the execution of this AGREEMENT.

ARTICLE XII: Notices

All notices and communications shall be sent in writing to the parties at the following addresses:

AGENCY: KEVIN INGRAM

CONTRACTOR: JIM RADICH

CITY OF LAKEPORT

GRANITE CONSTRUCTION COMPANY

225 Park Street

1324 S. State Street

Lakeport, CA 95453

Ukiah, CA 95482

ARTICLE XIII: Entire Agreement

This AGREEMENT supersedes any and all other agreements, either oral or written, between the parties and contains all of the covenants and agreements between the parties pertaining to the work of improvements described herein. Each party to this AGREEMENT acknowledges that no representations, inducements, promises or agreements, orally or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein, and that any other agreement, statement or promise not contained in this AGREEMENT shall not be valid or binding. Any modification of this AGREEMENT will be effective only if signed by the party to be charged.

The benefits and obligations of this AGREEMENT shall inure to and be binding upon the representatives, agents, partners, heirs, successors and assigns of the parties hereto. This AGREEMENT shall be construed pursuant to the laws of the State of California.

ARTICLE XIV: Authority to Contract

The signatories hereto represent that they are authorized to sign on behalf of the respective parties they represent and are competent to do so, and each of the parties hereto hereby irrevocably waives any and all rights to challenge signatures on these bases.

ARTICLE XV: General Provisions

A. All reports, documents or other written material ("written products" herein) developed by CONTRACTOR in the performance of this Agreement shall be and remain the property of AGENCY without restriction or limitation upon its use or dissemination by AGENCY. CONTRACTOR may take and retain copies of such written products as desired, but no such written products shall be the subject of a copyright application by CONTRACTOR.

B. In the performance of this Agreement, CONTRACTOR shall not discriminate against any employee, subcontractor, or applicant for employment because of race, color, creed, religion, sex, marital status, sexual orientation, national origin, ancestry, age, physical or mental disability, medical condition or any other unlawful basis.

C. The captions appearing at the commencement of the sections hereof, and in any paragraph thereof, are descriptive only and for convenience in reference to this Agreement. Should there be any conflict between such heading, and the section or paragraph at the head of which it appears, the section or paragraph hereof, as the case may be, and not such heading, shall control and govern in the construction of this Agreement. Masculine or feminine pronouns shall be substituted for the neuter form and vice versa, and the plural shall be substituted for the singular form and vice versa, in any place or places herein in which the context requires such substitution(s).

D. The waiver by AGENCY or CONTRACTOR of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition or of any subsequent breach of the same or any other term, covenant or condition herein contained. No term, covenant or condition of this Agreement shall be deemed to have been waived by AGENCY or CONTRACTOR unless in writing.

E. Each right, power and remedy provided for herein or now or hereafter existing at law, in equity, by statute, or otherwise shall be cumulative and shall be in addition to every other right, power, or remedy provided for herein or now or hereafter existing at law, in equity, by statute, or otherwise. The exercise, the commencement of the exercise, or the forbearance of the exercise by any party of any one or

more of such rights, powers or remedies shall not preclude the simultaneous or later exercise by such party of any of all of such other rights, powers or remedies.

F. CONTRACTOR shall maintain any and all ledgers, books of account, invoices, vouchers, canceled checks, and other records or documents evidencing or relating to charges for services or expenditures and disbursements charged to CITY under this Agreement for a minimum of three (3) years, or for any longer period required by law, from the date of final payment to CONTRACTOR under this Agreement. All such documents shall be made available for inspection, audit, and/or copying at any time during regular business hours, upon oral or written request of CITY. In addition, pursuant to Government Code Section 8546.7, all such documents and this Agreement shall be subject to the examination and audit of the State Auditor, at the request of CITY or as part of any audit of CITY, for a period of three (3) years after final payment under the Agreement.

IN WITNESS WHEREOF the parties hereto for themselves, their heirs, executors, administrators, successors, and assigns do hereby agree to the full performance of the covenants herein contained and have caused this AGREEMENT to be executed in duplicate by setting hereunto their names, titles, hands, and seals this 19th day of April 2016

CONTRACTOR: Granite Construction Company

Jim Radich, VP Coastal Region
Contractor's License No. 89

Subscribed and sworn to this _____ day of _____, 20__.

NOTARY PUBLIC _____ (SEAL)

AGENCY: _____
Mayor of the _____ Date
City of Lakeport

ATTESTED: _____
City Clerk of the _____ Date
City of Lakeport

APPROVED AS
TO FORM: _____
City Attorney of the _____ Date
City of Lakeport

(EXECUTE IN DUPLICATE)

**PAYMENT BOND
DOWNTOWN IMPROVEMENT PROJECT – PHASE II, BID NO. 16-01
IN THE CITY OF LAKEPORT, CALIFORNIA**

WHEREAS, the City of Lakeport, as AGENCY has awarded to Granite Construction Company, as CONTRACTOR, a contract for the above-stated project;

AND WHEREAS, CONTRACTOR is required to furnish a bond in connection with the contract, to secure the payment of claims of laborers, mechanics, material persons, and other persons as provided by law;

NOW THEREFORE, we, the undersigned CONTRACTOR and SURETY, are held and firmly bound unto AGENCY in the sum of TWO MILLION, NINE HUNDRED NINETY-NINE THOUSAND, NINE HUNDRED SIXTY-FOUR DOLLARS AND THRITY CENTS \$2,999,964.30 which is one hundred percent (100%) of the total contract amount for the above-stated project, for which payment well and truly to be made we bind ourselves, our heirs, executors and administrators, successors and assigns, jointly and severally, firmly by these presents.

THE CONDITIONS OF THIS OBLIGATION IS SUCH that if CONTRACTOR, its heirs, executors, administrators, successors, assigns or subcontractors, shall fail to pay any of the persons named in Civil Code Section 9100, or amounts due under the Unemployment Insurance Code with respect to work or labor withheld, and to pay over to the Employment Development Department from the wages of employees of the CONTRACTOR and its subcontractors pursuant to Section 13020 of the Unemployment Insurance Code, with respect to such work and labor, that the surety or sureties herein will pay for the same in an amount not exceeding the sum specified in this bond, otherwise the above obligation shall be void. In case suit is brought upon this bond, SURETY will pay reasonable attorneys' fees to the plaintiffs and AGENCY in an amount to be fixed by the court.

This bond shall inure to the benefit to any of the persons named in Civil Code Section 9100 as to give a right of action to such persons or their assigns in any suit brought upon this bond.

The SURETY hereby stipulates and agrees that no change, extension of time, alteration or addition to the terms of the contract or the specifications accompanying it shall in any manner affect SURETY's obligations on this bond. The SURETY hereby waives notice of any such change, extension, alteration or addition and hereby waives the requirements of Section 2845 of the Civil Code as a condition precedent to any remedies AGENCY may have.

IN WITNESS WHEREOF the parties hereto have set their names, titles, hands, and seals this day of _____, 2016.

Contractor*

Jim Radich, VP Coastal Region
Granite Construction Company
1324 S. State Street
Ukiah, CA 95482
(707) 467-4100

Surety*

*Provide CONTRACTOR and SURETY name, address and telephone number and the name, title, address and telephone number for the respective authorized representatives. Power of Attorney must be attached.

Subscribed and sworn to this ____ day of _____, 2012.

NOTARY PUBLIC

(SEAL)

(EXECUTE IN DUPLICATE)

**FAITHFUL PERFORMANCE BOND
DOWNTOWN IMPROVEMENT PROJECT – PHASE II, BID NO. 16-01
IN THE CITY OF LAKEPORT, CALIFORNIA**

KNOW ALL PERSONS BY THESE PRESENTS That Granite Construction Company, hereinafter referred to as "CONTRACTOR" as PRINCIPAL, and _____, a corporation duly organized and doing business under and by virtue of the laws of the State of California and duly licensed for the purpose of making, guaranteeing, or becoming sole surety upon bonds or undertakings as Surety, are held and firmly bound unto the CITY OF LAKEPORT, CALIFORNIA, hereinafter referred to as the "AGENCY" in the sum of TWO MILLION, NINE HUNDRED NINETY-NINE THOUSAND, NINE HUNDRED SIXTY-FOUR DOLLARS AND THRITY CENTS \$2,999,964.30; which is one hundred percent (100%) of the total contract amount for the above stated project; lawful money of the United States of America for the payment of which sum, well and truly to be made, we bind ourselves, our heirs, executors, administrators, assigns and successors, jointly and severally, firmly by these presents.

THE CONDITIONS OF THIS OBLIGATION ARE SUCH, that whereas CONTRACTOR has been awarded and is about to enter into a Contract with AGENCY to perform all work required pursuant to the contract documents for the project entitled: Downtown Improvement Project, Phase II, BID NO. 16-01 CONTRACT which Contract is by this reference incorporated herein, and is required by AGENCY to give this Bond in connection with the execution of the Contract;

NOW, THEREFORE, if CONTRACTOR and his or her Subcontractors shall well and truly do and perform all the covenants and obligations of the Contract on his or her part to be done and performed at the times and in the manner specified herein including compliance with all Contract specifications and quality requirements, then this obligation shall be null and void, otherwise it shall be and remain in full force and effect;

PROVIDED, that any alterations in the work to be done, or in the material to be furnished, which may be made pursuant to the terms of the Contract, shall not in any way release CONTRACTOR or the Surety thereunder, nor shall any extensions of time granted under the provisions of the Contract release either CONTRACTOR or said Surety, and notice of such alterations of extensions of the Contract is hereby waived by said Surety.

In the event suit is brought upon this Bond by AGENCY and judgment is recovered, said Surety shall pay all costs incurred by AGENCY in such suit, including a reasonable attorney's fee to be fixed by the Court.

IN WITNESS WHEREOF the parties hereto have set their names, titles, hands, and seals this day of _____, 2012 ..

Contractor*	Jim Radich,	VP	Coastal	Region
SURETY*			

Granite Construction Company

1324 S. State Street
Ukiah, CA 95482

(707) 467-4143

.....
*Provide CONTRACTOR and SURETY name, address and telephone number and the name, title, address and telephone number for their respective authorized representatives. Power of Attorney must be attached.

Subscribed and sworn to this ____ day of _____, 2012

NOTARY PUBLIC..... (SEAL)

(EXECUTE IN DUPLICATE)

WORKERS' COMPENSATION INSURANCE CERTIFICATE

The Contractor shall execute the following form as required by the California Labor Code, Sections 1860 and 1861:

I am aware of the provisions of Section 3700 of the Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract.

DATE: _____ Granite Construction Company .
(Contractor)

By: _____
(Signature)

(Title)

Attest:

By: _____
(Signature)

(Title)

Note: See Section 7 Responsibility of the Contractor, Paragraph 7-3 of the Standard Specifications for insurance carrier rating requirements.

ENDORSEMENTS TO INSURANCE POLICY

Name of Insurance Company:

Policy Number:

Effective Date:

The following endorsements are hereby incorporated by reference into the attached Certificate of Insurance as though fully set forth thereon:

1. The naming of an additional insured as herein provided shall not affect any recovery to which such additional insured would be entitled under this policy if not named as such additional insured, and
2. The additional insured named herein shall not be held liable for any premium or expense of any nature on this policy or any extensions thereof, and
3. The additional insured named herein shall not by reason of being so named be considered a member of any mutual insurance company for any purpose whatsoever, and
4. The provisions of the policy will not be changed, suspended, canceled or otherwise terminated as to the interest of the additional insured named herein without first giving such additional insured twenty (20) days' written notice.
5. Any other insurance held by the additional insured shall not be required to contribute anything toward any loss or expense covered by the insurance, which is referred to by this certificate.
6. **The company provided insurance for this certificate is a company licensed to do business in the State of California with a Best's rating of A+ VIII or greater.**

It is agreed that the City of Lakeport, its officers and employees, are included as Additional Insureds under the contracts of insurance for which the Certificate of Insurance is given.

Authorized Insurance Agent

Date: _____

**STATEMENT REGARDING INSURANCE COVERAGE
DOWNTOWN IMPROVEMENT PROJECT – PHASE II, BID NO. 16-01
IN THE CITY OF LAKEPORT, CALIFORNIA**

The undersigned representative of Bidder hereby certifies that he/she has reviewed the insurance coverage requirements specified in **7-3 LIABILITY INSURANCE** of Section E, Standard Specifications. Should Bidder be awarded the contract for the work, the undersigned further certifies that Bidder can meet all of these specification requirements for insurance including insurance coverage of his/her subcontractors.

NAME OF BIDDER:

MAILING ADDRESS:

.....

.....

AUTHORIZED SIGNATURE:

TITLE:

DATE:

**STATEMENT REGARDING CONTRACTOR'S LICENSING LAWS
DOWNTOWN IMPROVEMENT PROJECT – PHASE II, BID NO. 16-01
IN THE CITY OF LAKEPORT, CALIFORNIA**

[Business & Professions Code § 7028.15]

[Public Contract Code § 20103.5]

I, the undersigned, certify that I am aware of the following provisions of California law and that I, or the entity on whose behalf this certification is given, hold a currently valid California contractor's license as set forth below:

Business & Professions Code § 7028.15:

- a) **It is a misdemeanor for any person to submit a bid to a public agency to engage in the business or act in the capacity of a contractor within this state without having a license therefor,** except in any of the following cases:
 - (1)The person is particularly exempted from this chapter.
 - (2)The bid is submitted on a state project governed by Section 10164 of the Public Contract Code or on any local agency project governed by Section 20104 [now § 20103.5] of the Public Contract Code.
- b) If a person has been previously convicted of the offense described in this section, the court shall impose a fine of 20 percent of the price of the contract under which the unlicensed person performed contracting work, or four thousand five hundred dollars (\$4,500), whichever is greater, or imprisonment in the county jail for not less than 10 days nor more than six months, or both.

In the event the person performing the contracting work has agreed to furnish materials and labor on an hourly basis, "the price of the contract" for the purposes of this subdivision means the aggregate sum of the cost of materials and labor furnished and the cost of completing the work to be performed.
- c) This section shall not apply to a joint venture license, as required by Section 7029.1. However, at the time of making a bid as a joint venture, each person submitting the bid shall be subject to this section with respect to his/her individual licenser.
- d) This section shall not affect the right or ability of a licensed architect, land surveyor, or registered professional engineer to form joint ventures with licensed contractors to render services within the scope of their respective practices.
- e) Unless one of the foregoing exceptions applies, a bid submitted to a public agency by a contractor who is not licensed in accordance with this chapter shall be considered nonresponsive and shall be rejected by the public agency. Unless one of the foregoing exceptions applies, a local public agency shall, before awarding a contract or issuing a purchase order, verify that the contractor was properly licensed when the contractor submitted the bid. Notwithstanding any other provision of law, unless one of the foregoing exceptions applies, the registrar may issue a citation to any public officer or employee of a public entity who knowingly awards a contract or issues a purchase order to a contractor who is not licensed pursuant to this chapter. The amount of civil penalties, appeal, and finality of such citations shall be subject to Sections 7028.7 to 7028.13, inclusive. **Any contract awarded to, or any purchase order issued to, as contractor who is not licensed pursuant to this chapter is void.**

- f) Any compliance or noncompliance with subdivision (e) of this section, as added by Chapter 863 of the Statutes of 1989, shall not invalidate any contract or bid awarded by a public agency during which time that subdivision was in effect.
- g) A public employee or officer shall not be subject to a citation pursuant to this section if the public employee, officer, or employing agency made an inquiry to the board for the purposes of verifying the license status of any person or contractor and the board failed to respond to the inquiry within three business days. For purposes of this section, a telephone response by the board shall be deemed sufficient.

Public Contract Code § 20103.5:

In all contracts subject to this part where federal funds are involved, no bid submitted shall be invalidated by the failure of the bidder to be licensed in accordance with the laws of this state. However, at the time the contract is awarded, the contractor shall be properly licensed in accordance with the laws of this state. The first payment for work or material under any contract shall not be made unless and until the Registrar of Contractors verifies to the agency that the records of the Contractors' State License Board indicate that the contractor was properly licensed at the time the contract was awarded. Any bidder or contractor not so licensed shall be subject to all legal penalties imposed by law, including, but not limited to, any appropriate disciplinary action by the Contractors' State License Board. The agency shall include a statement to that effect in the standard form of pre-qualification questionnaire and financial statement. **Failure of the bidder to obtain proper and adequate licensing for an award of a contract shall constitute a failure to execute the contract and shall result in the forfeiture of the security of the bidder.**

Contractors License Number: _____

License Expiration Date: _____

Authorized Signature: _____

Date: _____

CONTRACT CHANGE ORDER MEMORANDUM

Contract Change Order No. 1

Project: Lakeport Downtown Improvement Project – Phase II
Contractor: Granite Construction Company
Change Requested By: City of Lakeport

The purpose of this contract change order is as follows:

Item 1 – Schedule

The Contract specifications provided a date specific schedule to the Contractor. Due to the delay in awarding the contract due to necessary changes, this change order included, the schedule has slipped approximately 3 weeks. This item adjusts the date specific schedule.

Item 2 – Modifications to Estimated Quantities

The project low bid came in considerably over estimated cost and exceeded available project funding sources. To reduce the project cost to within the range of available funds, items were identified that either:

1) Items which could be reasonable performed by City Forces without interference with the project. This work consists of removing and replacing street furniture and amenities. These compose Items 7, 9, 29 and 30.

2) Items which could be performed at a later date without any rework or damage to the completed project. These items include primarily have to do with street trees, electrical outlets at street trees, and street lights.

- a. Street Lights: Item 66 involves installing three new street lights including the base, pull box and new street light. The cost of the street light fixture is approximately \$8,550 each or a total of savings of \$25,650. Apparently, the City already has three matching light poles which were designated for another project but could be used on this project. In lieu of having the contractor provide the light poles, this item is deleted and the installation of the pole base, wiring and installation will be performed under Bid Item 63.
- b. Receptacles at Tree Wells: The project contains items for installing electrical receptacles to the tree wells. The work was divided into three items in case the project budget needed trimming. Item 67 provide conduit from the service panel to the street well. Item 68 provides the receptacle enclosure and pigtails. Item 69 provides for the pulling the electrical conductors for the system. The change order eliminates the installation of the receptacles and wiring but leaves the conduit work intact so that the receptacles can be installed in the future. The net deduction is \$32,510.00

This approach preserves the City's ability to install the receptacles in the future at any locations that may be desirable without any disturbance to the completed work.

- c. Street Trees: Item 71 is for the installation of the street trees. The bid price of \$3,150 per tree is extremely high, more than 5 times the cost of the tree itself. It will be much more economical for the City to have the trees planted either under a separate contract to follow this contract or by City forces, all as funds allow. Item 72 is for six months of maintenance of the trees which will not be necessary. The total deduction for these items is \$111,900. The street frames and grates will be installed as planned.
- d. The last item was to replace and replant the hanging baskets for all of the light pole locations. The City already owns the baskets and the Downtown association takes care of the planting, so the cost of this item simply does not provide value to the project. The net deduction for this item is \$18,000.



CONTRACT CHANGE ORDER

Change Order No. 1

Project: Lakeport Downtown Improvement Project – Phase II
 Contractor: Granite Construction Company
 Change Requested By: City of Lakeport

You are hereby directed to make the herein described changes from the plans and specifications or do the following described work not included in the plans and specifications on this contract:

Item 1 – Schedule

Section 700-2, PROJECT SCHEDULE, shall be amended as follows:

Activity	Dates
Potholing and Preparation Work	May 11-May 26
West Side – 2 nd to 3 rd Street	May 30 (Start Monday Night after Memorial Day)-June 9
West Side – 3 rd to End of Project past 4 th	June 12-June 23
East Side – End of Project past 4 th to 3 rd	June 26-June 30 & July 4 – July 8
July 4 th Break – No Work	July 1 through July 4 (till 6 PM)
East Side – 3 rd to 2 nd	July 10 – July 22
East Side – 2 nd to End of Project past 1 st	July 24 – Aug 4
West Side – End of Project past 1 st to 2 nd	Aug 7 – Aug 18
Paving Work	Aug 21 – Aug 26
Finishing Work	Aug 29 – Sept 15
Project Completion	Sept 19 (90 Working Days)

Item 2 – Modifications to Estimated Quantities

Modify the estimated quantities as indicated in the table below. With the exception of Item 63, all items are deleted in their entirety. The Contractor agrees that there has been no cost incurred in deleting these items and waives any claims relating to the deletion thereof.

Downtown Improvement Project - Change Order No. 1					
ITEM	DESCRIPTION	UNIT	Qty	Unit Price	Extension
7	Remove, Salvage, Store and Reset Bus Shelter	EA	-1	\$2,500.00	-\$2,500.00
9	Remove and Salvage Signs and Street Furniture	LS	-1	\$4,000.00	-\$4,000.00
29	Remove, Salvage, Store and Reset Trash Receptacles	EA	-12	\$1,100.00	-\$13,200.00
30	Install New Trash Receptacles	EA	-4	\$350.00	-\$1,400.00
63	Relocate Street Lights & Install New Bases and Pull Boxes	EA	3	\$2,950.00	\$8,850.00
66	Install New Street Lights, Bases, & Pull Boxes	EA	-3	\$11,500.00	-\$34,500.00

Downtown Improvement Project – Phase II
Contract Change Order No. 1

68	Electrical Outlet and Pigtails at Tree Well	EA	-34	\$765.00	-\$26,010.00
69	Install Conductors for Tree Well Receptacles	LS	-1	\$6,500.00	-\$6,500.00
71	Install Tree including all features	EA	-34	\$3,150.00	-\$107,100.00
72	Maintenance Period, 6 month	MO	-6	\$800.00	-\$4,800.00
77	Hanging Baskets	LS	-1	\$18,000.00	-\$18,000.00
	Total Change Order Amount				-\$209,160.00

SUMMARY OF CHANGES

Contract Time (Working Days)

Original Contract Time	90
Previous Change Orders	0
This Change Order	0
Revised Contract Time	90

Contract Cost:

Original Contract	\$2,999,964.30
Previous Change Orders	\$0.00
This Change Order	<\$209,160.00>
Total Revised Contract Price	\$2,790,804.30

We, the undersigned Contractor, have given careful consideration to the change proposed and hereby agree, if this proposal is approved, that we will provide all equipment, furnish all materials, except as otherwise be noted herein, and perform all services necessary for the work above specified, and will accept as full payment therefore the prices shown herein.

Note: This Change Order is not effective until approved by the City Manager or City Council as applicable.

Accepted by Contractor:

Granite Construction Company By: _____

Date: _____ Title: _____

If the Contractor does not sign acceptance of this Change Order, his attention is directed to the requirements of the specifications as to proceeding with ordered work and filing a written protest within the tie therein specified.

Recommended By: _____ **Date:** _____, 2016
City Engineer

Approved By: _____ **Date:** _____, 2016
City of Lakeport City Manager

Approved By: _____ **Date:** _____, 2016
City of Lakeport Mayor



SUBCONTRACTOR SUBSTITUTION REQUEST

Contract Change Order No. 1

Project: Lakeport Downtown Improvement Project – Phase II
Contractor: Granite Construction Company
Change Requested By: City of Lakeport

The deletion of a substantial portion of the electrical work caused the listed subcontractor to not want to proceed with the work. Though the City and General Contractor could enforce contract language allowing such deletions on the subcontractor, it was staff's observation that this would cause the creation of a potentially hostile work environment.

Subcontractor substitution is restricted by law to protect the rights of subcontractors from abuse in the bidding process, primarily bid shopping. The project manual includes the following:

The CONTRACTOR must obtain written consent of the City Council to substitute a Subcontractor designated in the original Bid, to permit any subcontract to be assigned or transferred, or to otherwise allow a subcontract to be performed by anyone other than the originally designated Subcontractor.

The named subcontractor (Tennyson Electric) is not amenable to entering into a reduced scope subcontract with the general contractor (Granite Construction) and is not opposed to substitution by the general contractor (Granite Construction (see attached email). Granite Construction has secured a different electrical subcontractor (Mike Brown Electric) who will perform the work for the same cost at the named subcontractor. Without this substitution, Granite cannot move forward in an expeditious us manner to complete the contract.

Staff recommends the approval of the City Council to allow Granite Construction to substitute Mike Brown Electric for the named subcontractor Tennyson Electric for the work involved on this contract at the same bid prices listed in the bid.

Granite Constructions Subcontractor substitution request is attached.



April 13, 2016

LRT-001

City of Lakeport
225 Park Street
Lakeport, CA 95453

Attn: Mr. Paul Curren, City Engineer

RE: Downtown Improvement Project-Phase II
Subcontractor Substitution

Dear Mr. Curren:

Our listed subcontractor, Tennyson Electric, has elected to withdraw their bid proposal after determining that the reduced electrical scope of work as proposed by the City no longer makes this project economically feasible for their company. See attached e-mail from Tennyson Electric. Granite Construction Company therefore formally request that the City allow a substitution of the following electrical subcontractor to perform the same scope of work previously listed as being performed by Tennyson Electric, without additional cost to the City:

Mike Brown Electric Company
561-A Mercantile Drive
Cotati, CA 94931-3040

Contractor Lic # 306767
DIR #1000000469

Sincerely,

GRANITE CONSTRUCTION COMPANY

A handwritten signature in blue ink, appearing to read "J. Boies".

John G. Boies, P.E.
Area Manager

Attachment

NORTH COAST OFFICE

1324 South State Street, Ukiah CA 95482 • Phone (707) 467-4100 • Fax (707) 467-4143

Boies, John

From: Mike Tennyson <miket@tennysonelec.com>
Sent: Tuesday, April 12, 2016 5:43 PM
To: Boies, John; Richards, Terry
Cc: Massoud, Karim; Matt Tennyson; Ingram, Justin
Subject: RE: City of Lakeport Downtown Improvements Ph II

Follow Up Flag: Follow up
Flag Status: Flagged

John and Terry,

Thank you for understanding our position concerning the reduced scope of work making the project no longer economically viable; however, please let us know if you find yourself in a position of not being able to find a contractor to perform the work.

Thank-you,
Mike Tennyson
Office 925.606.1038 ext 201
Cell 925.766.4042



Tennyson Electric Inc.

An EEO Company

From: Boies, John [mailto:John.Boies@gcinc.com]
Sent: Tuesday, April 12, 2016 5:31 PM
To: Mike Tennyson; Richards, Terry
Cc: Massoud, Karim; Matt Tennyson; Ingram, Justin
Subject: RE: City of Lakeport Downtown Improvements Ph II

Mike,
Thank you for submitting your bid for the Lakeport Downtown Improvements project. As Terry indicated below it is the City's intention to eliminate several of your bid items in order to make the project economically feasible for the City to proceed with the work. Granite fully understands that you have reviewed your bid proposal, and in light of the eliminated scope you have made the business decision that the project is no longer economically viable for your company. It would be greatly appreciated if you would respond to my e-mail with an acknowledgement that it is your intention to withdraw your bid based upon these circumstances.

Thank you,

John G. Boies, P.E.

Area Manager
Coastal Region-North Coast Area

Direct 707-467-4107
Cell 707-974-0886
john.boies@gcinc.com
www.graniteconstruction.com



From: Mike Tennyson [<mailto:miket@tennysonelec.com>]
Sent: Friday, April 08, 2016 3:51 PM
To: Richards, Terry
Cc: Boies, John; Massoud, Karim; Matt Tennyson
Subject: RE: City of Lakeport Downtown Improvements Ph II

Terry,

Please know we value the relationship with Granite which is why we not only bid the project but even tried to figure a way to move forward even with the deleted items.

Thank-you,
Mike Tennyson
Office 925.606.1038 ext 201
Cell 925.766.4042



Tennyson Electric Inc.

An EEO Company

From: Richards, Terry [<mailto:Terry.Richards@gcinc.com>]
Sent: Friday, April 08, 2016 3:49 PM
To: Mike Tennyson
Cc: Boies, John; Massoud, Karim
Subject: RE: City of Lakeport Downtown Improvements Ph II

Mike,

I think a statement that you cannot hold your pricing based on the changes sent to you that the City is going to implement for award and that you need to withdraw your bid. I will forward it to the City and we'll go from there. I appreciate your looking into this and spending the time to asses it.

Thanks,

Terry D. Richards

Senior Estimator
North Coast Area

1324 South State Street
Ukiah, CA 95482
Direct 707-467-4114

Fax 707-467-4143
 terry.richards@gcinc.com
 www.graniteconstruction.com



From: Mike Tennyson [<mailto:miket@tennysonelec.com>]
Sent: Friday, April 08, 2016 3:38 PM
To: Richards, Terry
Cc: Matt Tennyson
Subject: RE: City of Lakeport Downtown Improvements Ph II

Terry,

Thank you for the email and the follow up phone call today. We have been trying to figure a way to move forward based on the deleted items noted by the City; however, as we stated in our prior email the project doesn't pencil out. Please let us know what you officially need from us.

Thank-you,
 Mike Tennyson
 Office 925.606.1038 ext 201
 Cell 925.766.4042



Tennyson Electric Inc.

An EEO Company

From: Richards, Terry [<mailto:Terry.Richards@gcinc.com>]
Sent: Wednesday, April 06, 2016 9:39 AM
To: Mike Tennyson
Cc: Boies, John; Massoud, Karim
Subject: City of Lakeport Downtown Improvements Ph II

Mike,

The City of Lakeport is in the process of issuing a contract for this project. Since the 2 bids received are over their engineer's estimate, the City is going to eliminate items 7, 9, 25, 29, 30, 66, 68, 69, 71, 72, and 77 as well as modifying the quantities for Items 36, 48, and 63 from the contract scope to enable them to proceed with the project. Several of these items are from your package and as previously discussed the City intends to issue a Contract and a Contract Change Order eliminating these items from the Contract. I have attached a copy of both the City of Lakeport and Caltrans Standard Specifications referencing elimination of items and possible compensation for your information. The City is going to issue this contract and proceed with the elimination of the items so any subcontract you receive will have the eliminated items as part of the subcontract package either as the subcontract or with a subcontract change order attached. If you choose to not want to proceed with this project, please let me know and understand it will not reflect on any future bids or contracts with our office.

Thanks,

Terry D. Richards

Senior Estimator
North Coast Area

1324 South State Street
Ukiah, CA 95482
Direct 707-467-4114
Fax 707-467-4143
terry.richards@gcinc.com
www.graniteconstruction.com



ATTACHMENT 5

DOWNTOWN IMPROVEMENT PROJECT PHASE II - Addenda 1-4 BID SUMMARY							
ITEM	DESCRIPTION	UNIT	QUANTITY	Granite		Argonaut	
				Unit Price	Extension	Unit Price	Extension
1	Mobilization	LS	1	139216	\$139,216.00	232,000.00	\$232,000.00
2	Traffic & Pedestrian Control System	LS	1	111150	\$111,150.00	75,000.00	\$75,000.00
3	Pothole Existing Utilities	LS	1	25000	\$25,000.00	100,000.00	\$100,000.00
4	Erosion Control & SWPPP	LS	1	8000	\$8,000.00	40,000.00	\$40,000.00
5	Construction Staking	LS	1	20000	\$20,000.00	30,000.00	\$30,000.00
6	Sheeting, Shoring, Bracing	LS	1	25000	\$25,000.00	320,000.00	\$320,000.00
7	Remove, Salvage, Store and Reset Bus Shelter	EA	1	2500	\$2,500.00	6,800.00	\$6,800.00
8	Remove, Salvage, Store and Reset Memorial Plaques	EA	26	100	\$2,600.00	200.00	\$5,200.00
9	Remove and Salvage Signs and Street Furniture	LS	1	4000	\$4,000.00	10,000.00	\$10,000.00
10	All Other Demolition	LS	1	25000	\$25,000.00	232,000.00	\$232,000.00
11	Concrete Sidewalk - Standard Grey	SF	19357	22	\$425,854.00	41.00	\$793,637.00
12	Concrete Sidewalk - Stamped and Colored	SF	1948	30	\$58,440.00	44.00	\$85,712.00
13	Raised Concrete Sidewalk	SF	348	53	\$18,444.00	120.00	\$41,760.00
14	Truncated Domes	SF	343	55	\$18,865.00	50.00	\$17,150.00
15	Concrete Vertical Curb - Type A1-6"	LF	55	60	\$3,300.00	95.00	\$5,225.00
16	Concrete Curb and Gutter - Type A2- 18"	LF	2031	55	\$111,705.00	90.00	\$182,790.00
17	Sidewalk Drain	EA	9	300	\$2,700.00	500.00	\$4,500.00
18	3" Cold Plane	SF	60199	0.7	\$42,139.30	0.55	\$33,109.45
19	6 " Remove and Replace HMA in Travel Lanes	SF	8528	7	\$59,696.00	9.00	\$76,752.00
20	6 " Remove and Replace HMA in Trench Patches	SF	5053	11	\$55,583.00	21.00	\$106,113.00
21	3" Remove and Replace HMA in Misc. Locations	SF	3916	4	\$15,664.00	10.00	\$39,160.00
22	No. 4 HMA (leveling)	TON	482	135	\$65,070.00	225.00	\$108,450.00
23	1/2 HMA (surface)	TON	869	135	\$117,315.00	195.00	\$169,455.00
24	Pavement Interlayer	SF	48900	0.67	\$32,763.00	0.70	\$34,230.00
25	Street Print HMA Stamp and Color	SF	5908	6.25	\$36,925.00	9.00	\$53,172.00
26	Construct Vent Box	EA	12	450	\$5,400.00	2,500.00	\$30,000.00
27	Tree Frame and Grate	EA	34	2350	\$79,900.00	2,500.00	\$85,000.00
28	Provide Flagpole Mount	EA	29	5	\$145.00	225.00	\$6,525.00
29	Remove, Salvage, Store and Reset Trash Receptacles	EA	12	1100	\$13,200.00	500.00	\$6,000.00
30	Install New Trash Receptacles	EA	4	350	\$1,400.00	5,200.00	\$20,800.00
31	Handrail	lf	111	225	\$24,975.00	225.00	\$24,975.00
32	Thermoplastic Traffic Stripe (4")	LF	2025	1	\$2,025.00	1.00	\$2,025.00
33	Thermoplastic Pavement Markings	SF	2316	5	\$11,580.00	5.00	\$11,580.00
34	New Single post Sign with Panel	EA	39	250	\$9,750.00	250.00	\$9,750.00
35	72" Storm Drain Manhole	EA	1	16000	\$16,000.00	15,000.00	\$15,000.00
36	Curb Inlet, Type GOL-10 w/Type 24x Frame & Grate	EA	4	12500	\$50,000.00	13,500.00	\$54,000.00
37	Curb Inlet, Type GO w/Type 24X Frame & Grate	EA	3	6500	\$19,500.00	7,500.00	\$22,500.00
38	36"x36" SD Junction Box	EA	1	2000	\$2,000.00	5,000.00	\$5,000.00
39	23" x 14" Class 5 Elliptical RCP	LF	280	290	\$81,200.00	385.00	\$107,800.00
40	Modify Storm Drain Manhole/DI	EA	6	1700	\$10,200.00	2,500.00	\$15,000.00
41	6" Sanitary Sewer drop connection	EA	4	2300	\$9,200.00	2,750.00	\$11,000.00
42	Reset Manhole Frame and Grates	EA	15	900	\$13,500.00	1,600.00	\$24,000.00
43	Reset 6" Sanitary Sewer Rodding Inlet, SSCO or Abandon Rodding Inlet	EA	4	650	\$2,600.00	1,100.00	\$4,400.00
44	6" PVC (SD-26) Sanitary Sewer Main	LF	1025	160	\$164,000.00	225.00	\$230,625.00
45	Red Curb Marings	EA	1200	1	\$1,200.00	1.00	\$1,200.00
46	Remove 48" Sanitary Sewer Manhole	EA	3	3000	\$9,000.00	3,300.00	\$9,900.00
47	4" Sanitary Sewer Lateral (shallow), Cleanout & Box	EA	23	3800	\$87,400.00	6,500.00	\$149,500.00
48	4" Sanitary Sewer Lateral (deep), Cleanout & Box	EA	7	21000	\$147,000.00	19,500.00	\$136,500.00
49	6" Sanitary Sewer Lateral (shallow), Cleanout & Box	EA	1	3800	\$3,800.00	5,750.00	\$5,750.00
50	DELETED	EA			\$0.00	0.00	\$0.00
51	4" Gate Valve & Box	EA	3	5600	\$16,800.00	6,350.00	\$19,050.00
52	6" Gate Valve & Box	EA	9	5800	\$52,200.00	7,300.00	\$65,700.00
53	8" Gate Valve & Box	EA	7	6800	\$47,600.00	9,000.00	\$63,000.00
54	1" Water Service (single) & Box	EA	14	5700	\$79,800.00	10,000.00	\$140,000.00
55	2" Water Service (single) & Box	EA	1	7000	\$7,000.00	10,500.00	\$10,500.00
56	2" Water Service (double) & Box	EA	2	7250	\$14,500.00	11,750.00	\$23,500.00
57	1" Pressure reducing Valve & Box	EA	5	1200	\$6,000.00	800.00	\$4,000.00
58	Reset Fire Hydrant	EA	3	850	\$2,550.00	4,750.00	\$14,250.00
59	Quad 1" Water Services with 2" lateral and 2 Boxes	EA	2	11000	\$22,000.00	12,500.00	\$25,000.00
60	Double 1" Pressure Reducing Valves and Box	EA	1	1600	\$1,600.00	1,550.00	\$1,550.00
61	1" Water Services Stub & Box	EA	1	5700	\$5,700.00	7,000.00	\$7,000.00
62	Reconstruct Fire Hydrant	EA	1	5500	\$5,500.00	8,250.00	\$8,250.00

ATTACHMENT 5

63	Relocate Street Lights & Install New Bases and Pull Boxes	EA	27	2950	\$79,650.00	2,950.00	\$79,650.00
64	Modify/Extend Street Light Conduit & Install New Conductors	LS	1	64500	\$64,500.00	64,500.00	\$64,500.00
65	New Service, Panels, and Controls	EA	1	8500	\$8,500.00	8,500.00	\$8,500.00
66	Install New Street Lights, Bases, & Pull Boxes	EA	3	11500	\$34,500.00	11,500.00	\$34,500.00
67	Conduit for Tree Receptacles	LS	1	35000	\$35,000.00	35,000.00	\$35,000.00
68	Electrical Outlet and Pigtails at Tree Well	EA	34	765	\$26,010.00	765.00	\$26,010.00
69	Install Conductors for Tree Well Receptacles	LS	1	6500	\$6,500.00	6,500.00	\$6,500.00
70	Controller, wall mount in vandal-resistant enclosure	EA	1	9250	\$9,250.00	25,000.00	\$25,000.00
71	Install Tree including all features	EA	34	3150	\$107,100.00	3,150.00	\$107,100.00
72	Maintenance Period, 6 month	MO	6	800	\$4,800.00	800.00	\$4,800.00
73	Controller, wall mount in vandal-resistant enclosure	EA	1	25000	\$25,000.00	25,000.00	\$25,000.00
74	Backflow Preventer in vandal-resistant enclosure	EA	1	3000	\$3,000.00	2,400.00	\$2,400.00
75	Irrigation Control Wiring	LS	1	15000	\$15,000.00	15,000.00	\$15,000.00
76	Irrigation System	LS	1	107000	\$107,000.00	107,000.00	\$107,000.00
77	Hanging Baskets	LS	1	18000	\$18,000.00	18,000.00	\$18,000.00
78	Reset ATT Vault Manhole Frame and Grate	EA	3	1000	\$3,000.00	1,750.00	\$5,250.00
	Total Base Bid Amount				\$2,999,964.30		\$4,737,055.45
Bid Alternate One							
81	Deduct - Concrete Sidewalk - Stamped and Colored	SF	-1933	25	-\$48,325.00	12.00	-\$23,196.00
82	Add- Brick Pavers on Slab (at Tree Wells)	SF	1933	38	\$73,454.00	45.00	\$86,985.00
83	Add - Concrete Border	LF	211	25	\$5,275.00	95.00	\$20,045.00
	Total Bid Alternate One				\$30,404.00		\$83,834.00