

**CITY OF SANTA PAULA
MEMORANDUM**

To: Honorable Mayor and Members of the City Council
From: Lucy Blanco, Deputy City Clerk
Subject: Approval of Minutes from the Regular Meetings of March 2 and March 16, 2015.
Date: March 31, 2015

Recommendation: It is recommended that the City Council approve the Minutes from the Regular Meetings of March 2 and March 16, 2015.

Attachment(s): Minutes of the Regular City Council Meetings of March 2 and March 16, 2015.

CALL TO ORDER

Mayor Procter called the meeting to order at 5:30 p.m.

ROLL CALL

Councilmember Jenny Crosswhite, Councilmember Ginger Gherardi, Councilmember James A. Tovas, Vice Mayor Martin F. Hernandez, and Mayor John Procter responded to roll call. City Manager Jaime M. Fontes, City Attorney John C. Cotti and City Clerk Judy Rice were also present.

PUBLIC COMMENT

No public comment.

CLOSED SESSION

- A. Labor Negotiations – Government Code § 54957.6. City Labor Negotiators: Human Resources Manager Lorena Alvarez, Assistant to the City Manager Elisabeth Amador and Finance Director Sandy Easley. Employee Organizations: SEIU Local 721; Santa Paula Police Officers Association (SPPOA); Ventura County Professional Firefighters Association (VCPFA), representing Santa Paula Full-time Firefighters; Community Services Officers (CSO); Mid-Management Association, Supervisory and Professional Association; unrepresented confidential employees (City employees who are not members of bargaining units); and Part-Time/Temporary/Seasonal.

Mayor Procter recessed the City Council to a closed session at 5:30 p.m. and reconvened the City Council into the Regular Meeting at 6:40 p.m. Mayor Procter recessed the City Council at 6:40 p.m.

CALL TO ORDER

Mayor Procter called the meeting to order at 6:50 p.m. Reverend Maddie Sifantus led the invocation and Councilmember Crosswhite led the flag salute.

ROLL CALL

Councilmembers Jenny Crosswhite, Ginger Gherardi and James A. Tovias, Vice Mayor Martin F. Hernandez and Mayor John Procter responded to roll call. City Manager Jaime M. Fontes, City Attorney John C. Cotti, City Clerk Judy Rice and Deputy City Clerk Lucy Blanco were also present.

CLOSED SESSION REPORT

No reportable action.

PRESENTATIONS

- A. Proclamation Presentation to the Morris Family for the Fillmore Area Transit Company's (FATCO) Years of Service to the Community.

Councilmember Gherardi presented the presented the proclamation to Chappy Morris on behalf of the City Council.

- B. Presentation of the Charlie Castro Award by Interim Community Services Director Ed Mount and Recreation Supervisor Dale Sumersille to the Youth Basketball Coach of the Year and a Token of Appreciation to the Fire Association for the Fund Raising Support of the Youth Basketball Program.

Interim Community Services Director Ed Mount presented the Charlie Castro Award to Carlos Mendez Youth Basketball Coach of the Year. Firefighters Macias and Kline accepted the token of Appreciation to the Fire Association for the fund raising support. Recreation Supervisor Dale Sumersille gave Council an update on all the old and new programs taking place at the Community Center.

- C. America in Bloom Presentation by Diane Davis.

Diane Davis and Gary Nazlroad gave a brief summary of the judging and recognition given to the City for America in Bloom contest.

Fire Chief Rick Araiza spoke on behalf of the fire department in gratitude to the County of Ventura for the donation of a fire engine.

PUBLIC COMMENT

Richard Rudman, 1046 Corte La Brisa expressed his gratitude to the Police, Fire department and Streets for all they do.

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Lois Zsarnay, 502 E. Santa Paula Street and two neighbors, spoke regarding the continuous parking issues facing their neighborhood. She asked Council when this issue is going to be addressed.

Fred Robinson, 380 View Drive, spoke on behalf of the Chamber of Commerce inviting the Council to attend the Annual Awards Luncheon on March 18, 2015 at the Limoneira Visitor's Center.

Victor Espinosa, 233 Corte Linda, spoke on behalf of the Santa Paula Farmworkers. He invited Council to attend the Farmworkers Summit.

Steve Lazenby, spoke regarding the CERT Program. He shared with Council and the Community of the upcoming CERT class beginning March 17 at the Community Center Cultural Arts building from 6:30 pm to 9:00 pm. He also state that the duration of the meeting is six weeks. He invited the community to register for the class.

COMMUNICATIONS

City Manager Fontes informed the Council that the calendar for the goal setting session will be ready in the next couple of weeks. He also reminded our Spanish speaking community the Council meetings are being interpreted in Spanish.

Vice Mayor Hernandez gave Council a brief update on the progress of the Homeless Task Force and thanked all who have been participating to work on short and long term goals.

Councilmember Gherardi spoke regarding the Valley Express ribbon cutting which took place today in front of City Hall. She informed the community that VCTC will arrange a "free ride day" when the weather gets better. She especially thanked Ralph Fernandez and Brian Yanez for all their work in getting this going. The Valley Express local phone number is 8058-933-2267.

APPROVAL OF FINAL AGENDA

It was moved by Councilmember Gherardi, seconded by Vice Mayor Hernandez to approve final agenda as presented. All were in favor and the motion carried.

Regular City Council Meeting
Monday, March 2, 2015

CONSENT CALENDAR

Mayor Procter continued Item 10C per applicants request to continue item. Items 10I and 10J were pulled due to public speakers for each item and Councilmember Tovas pulled Item 10G. It was moved by Councilmember Hernandez, seconded by Councilmember Gherardi to approve the Consent Calendar as amended. All were in favor and the motion carried.

- A. Waiver of Reading of Ordinances and Resolutions– Waive reading of Ordinances and Resolutions appearing on the Agenda.
- B. Planning Commission Action Report – It is recommended that the City Council receive and file the Planning Director's report regarding Planning Commission actions taken on January 27, 2015. Alternatively, in accordance with SPMC § 16.206.060, the City Council may place an item on a future agenda to consider issuing an order of review regarding an action.
- D. Santa Paula Public Financing Authority's Intention to Reimburse – It is recommended that the Board of Directors: (1) receive and file the report; (2) adopt Resolution No. 2015-1 (U) declaring the intention to reimburse expenditures relating to the purchase of the Wastewater Recycling Facility; and (3) direct staff as appropriate. City Manager Jaime M. Fontes and Assistant to the City Manager Elisabeth Paniagua's report dated February 23, 2015.
- E. Transportation Development Act, Local Transportation, Revised Apportionment for Fiscal year 2014/2015 – It is recommended that the City Council: (1) adopt the attached resolution authorizing filing a claim for the additional Transportation Development Act (TDA) funds; (2) allocate additional Heritage Valley Transit Services; and (3) take such additional related action that may be desirable. **RESOLUTION NO. 6919** – A RESOLUTION AUTHORIZING THE FILING OF A CLAIM WITH THE VENTURA COUNTY TRANSPORTATION COMMISSION FOR ALLOCATION OF TRANSPORTATION DEVELOPMENT ACT FUNDS REVISED APPROTIONMENT FOR FISCAL YEAR 2014/2015. Finance Director Sandra K. Easley's report dated February 23, 2015.
- F. Possible Action regarding the Housing Related Parks Program Grant – It is recommended that the City Council: (1) adopt Resolution No. 6920 authorizing the City's grant application to the Housing Related Parks Program; and (2) take such additional, related action that may be

desirable. Elisabeth Paniagua and Ed Mount's report dated February 25, 2015.

CONSENT CALENDAR (SEPARATE ACTION ITEMS)

- G. Fourth of July Fireworks Show - It is recommended that the City Council: (1) authorize the City Manager to execute an agreement with Zambelli Fireworks for July 4, 2015 in a form approved by the City Attorney; and (2) accept the Rotary Club's donation of \$15,000 to pay for the fireworks show; and (3) consider whether to co-sponsor the July 4th fireworks show at the Rotary Club's request. Fire Chief Richard Araiza's report dated January 27, 2015.

It was moved by Councilmember Tovias, seconded by Councilmember Crosswhite to authorize the City Manager to execute an agreement with Zambelli Fireworks for July 4, 2015 in a form approved by the City Attorney, accept the Rotary Club's donation of \$15,000 to pay for the fireworks show; and consider whether to co-sponsor the July 4th fireworks show at the Rotary Club's request. All were in favor and the motion carried.

- I. Possible Action to Approve the Traffic Safety Committee - - It is recommended that the City Council: (1) adopt Resolution No. 6902 approving the recommendations of the Traffic Safety Committee; and (2) take such additional, related action that may be desirable. **RESOLUTION NO. 6902** – A RESOLUTION APPROVING THE RECOMMENDATIONS OF THE TRAFFIC SAFETY COMMITTEE. Interim Public Works Director Brian J. Yanez' report dated February 23, 2015

Jeanne Wade, 798 Foothill Road, spoke about concerns regarding the unsafe turn at Foothill and Peck Road and asked Council for the possibility of installation of a three-way stop sign heading north on Peck Road. She stated she will also be attending the County Board of Supervisor's meeting to get their assistance in this matter as well.

It was moved by Vice Mayor Hernandez, seconded by Councilmember Gherardi to adopt Resolution No. 6902 approving the recommendations of the Traffic Safety Committee. All were in favor and the motion carried.

- J. Update on Count of Ventura's Intent to Submit Application for Grant Funding for the Expansion of Todd Road Jail - It is recommended that the

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City Council: (1) receive the report; (2) adopt Resolution No. 6921 withdrawing Resolution No. 6851 relative to the County of Ventura's application for grant funding under the construction of adult local criminal justice facilities construction financing program; and (3) take such additional, related, action that may be desirable. **RESOLUTION NO. 6921** – A RESOLUTION OF THE SANTA PAULA CITY COUNCIL WITHDRAWING RESOLUTION NO. 6851 RELATIVE TO THE COUNTY OF VENTURA'S APPLICATION FOR GRANT FUNDING UNDER THE CONSTRUCTION OF ADULT LOCAL CRIMINAL JUSTICE FACILITIES CONSTRUCTION FINANCING PROGRAM. City Manager Jaime M. Fontes' report dated February 25, 2015

Devon Ciokowski, 1217 Woodland Drive, asked that Council provide more information regarding this item particularly the impacts it will have to our community and the scope of the project.

Fred Robinson, 380 View Drive, spoke in opposition of overturning the resolution that was previously adopted. He encouraged the Council not to overturn this resolution. He asked that Council advocate for this community.

It was moved by Councilmember Tovas, seconded by Councilmember Crosswhite to continue the until more information is gathered and deny adoption of Resolution No. 6921 withdrawing Resolution No. 6851. Under roll call vote Councilmembers Tovas and Crosswhite were in favor. Councilmember Gherardi, Vice Mayor Hernandez and Mayor Procter were opposed. The motion failed.

It was moved by Councilmember Gherardi, seconded by Vice Mayor Hernandez to adopt Resolution No. 6921 withdrawing Resolution No. 6851 relative to the County of Ventura's application for grant funding under the construction of adult local criminal justice facilities construction financing program and direct the County to work with the City to resolve the issue regarding the water. Under roll call vote, Councilmember Gherardi, Vice Mayor Hernandez and Mayor Procter were in favor. Councilmembers Tovas and Crosswhite were opposed. The motion passed.

ORDER OF BUSINESS

A. Discussion and Possible Action to Create a Youth Advisory Committee -

Assistant to the City Manager Elisabeth Paniagua's report dated February 22, 2015.

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Alondra Navarro Santa Paula High School Senior co-founder of Junior State of America (JSA) gave Council a brief presentation of what the JSA represents. Also speaking for JSA was student Nicole Nays.

It was moved by Mayor Procter, seconded by Councilmember Gherardi to receive and file the report and to form an ad hoc with Mayor Procter and Councilmember Crosswhite to work with the Youth Advisory Committee. All were in favor and the motion carried.

B. Formation of Council Ad Hoc Subcommittee to Meet with the Measure "F" Committee -

City Manager Jaime M. Fontes' report dated February 25, 2015.

Ronda McKaig, 1332 Woodland Drive, spoke regarding the safety issues facing the community and thanked Council on behalf of the committee for the opportunity for the committee "Citizens for a Safer Santa Paula" to work with Council.

Vice Mayor Hernandez recommended Councilmember Crosswhite to serve on this committee and Mayor Procter volunteered to serve on the committee.

Councilmember Gherardi recommended Councilmember Tovas to serve due to his extensive work with the Measure F group.

Councilmember Tovas declined his involvement due to his commitment to other projects and therefore recommended Mayor Procter to serve on the ad hoc committee.

It was moved by Councilmember Tovas, seconded by Vice Mayor Hernandez to appoint Mayor Procter and Councilmember Crosswhite to serve on Ad Hoc Committee to meet with the "Citizens for a Safer Santa Paula" Committee. All were in favor and the motion carried.

C. Update of Status of SAFER Funded Personnel -

Fire Chief Rick Araiza's report dated February 19, 2015.

Steve Smead, 145 S. 8th Street, stated in his opinion that the City cannot spend reserves due to the negative affect it will have for bond funding for the sewer plant sale. He also stated that he hoped the three newly elected Council not let that fact that Fire was there largest campaign contributor sway their decision. In his opinion paying money to the Firefighters from the reserves will cause

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problem qualifying for the bond funds. He asked that Council keep the community informed of what is going on with the sewer plant and that Council.

Chris Mahon, VCPFA spoke on behalf of the firefighters and encouraged the Council to support an additional grant application, continue the bridge funding for the SAFER grant firefighters and to consider filling the vacant position.

Nick Bacigalupo, Firefighter Engineer steward for firefighters asked that Council not only consider supporting the gap funding but that Council see it as extending the level of service from the firefighters and the vital roles each one plays in the fire department.

It was moved by Councilmember Gherardi, seconded by Vice Mayor Hernandez to allow the use of the surplus from the prior council action to be considered along with bridge funding through the end of the fiscal year including the vacant position. Under roll call vote all were in favor and the motion passed.

COMMUNICATIONS

No communications.

FUTURE AGENDA ITEMS

It was moved by Councilmember Gherardi, seconded by Mayor Procter to request staff to return with status of railroad crossing repairs and CMAQ funding. All were in favor and the motion carried.

It was moved by Councilmember Crosswhite, seconded by Councilmember Gherardi to request staff return as soon as ready with an update on the Las Piedras Park playground equipment. All were in favor and the motion carried.

It was moved by Councilmember Tovas, seconded by Mayor Procter to request a presentation by Dr. Levin regarding the transgender clinic. All were in favor and the motion carried.

ADJOURNMENT

Mayor Procter adjourned the Meeting at 9:50 p.m.

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ATTEST:

Judy Rice
City Clerk

Regular City Council Meeting
Monday, March 2, 2015

CALL TO ORDER

Mayor Procter called the meeting to order at 5:32 p.m.

ROLL CALL

Councilmember Jenny Crosswhite, Councilmember Ginger Gherardi, Councilmember James A. Tovias, Vice Mayor Martin F. Hernandez, and Mayor John Procter responded to roll call. City Manager Jaime M. Fontes, City Attorney John C. Cotti and City Clerk Judy Rice were also present.

PUBLIC COMMENT

No public comment.

CLOSED SESSION

- A. Labor Negotiations – Government Code § 54957.6. City Labor Negotiators: Human Resources Manager Lorena Alvarez, Assistant to the City Manager Elisabeth Amador and Finance Director Sandy Easley. Employee Organizations: SEIU Local 721; Santa Paula Police Officers Association (SPPOA); Ventura County Professional Firefighters Association (VCPFA),* representing Santa Paula Full-time Firefighters; Community Services Officers (CSO); Mid-Management Association, Supervisory and Professional Association; unrepresented confidential employees (City employees who are not members of bargaining units); and Part-Time/Temporary/Seasonal.
- B. Conference with Legal Counsel – Existing Litigation – Government Code § 54956.9(d)(1) – *In re City of Santa Paula v. Santa Paula Water, LLC, et al.*; Arbitration proceeding (Formally Initiated).

Mayor Procter recessed the City Council to a closed session at 5:32 p.m. and reconvened the City Council into the Regular Meeting at 6:32 p.m. Mayor Procter recessed the City Council at 6:32 p.m.

CALL TO ORDER

Mayor Procter called the meeting to order at 6:40 p.m. Reverend Michael Fincher led the invocation and Councilmember Gherardi led the flag salute.

ROLL CALL

Councilmembers Jenny Crosswhite, Ginger Gherardi and James A. Tovias, Vice Mayor Martin F. Hernandez and Mayor John Procter responded to roll call. City Manager Jaime M. Fontes, City Attorney John C. Cotti, City Clerk Judy Rice and Planning Assistant Tom Tarantino were also present.

CLOSED SESSION REPORT

No reportable action.

PUBLIC COMMENT

Lynn McReynolds, 925 Laurel Road, expressed her opinion of possible conflict of interest on behalf of Vice Mayor Hernandez with regards to his vote on Resolution No. 6921 which withdraws the resolution opposing the Todd Jail expansion.

Ann Reeves, Ventura County Civil Grand Jury, stated her visit was to encourage Santa Paula residents to apply for the opportunity to be a member of the Grand Jury. Applications are being accepted for jurors to serve from July 1, 2015 to June 30, 2016. April 15, 2015 is the deadline for applications. She invited all interested to attend the Open House Wednesday March 8, 3:00 p.m. to 6:00 p.m. at 646 County Square Drive, Ventura.

Bruce Lahey, 617 Acacia Road, spoke regarding his multiple concerns including the lack of speed limit signs on the north and south sides of Harvard Blvd.; the issue with the railroad crossing on 7th Street at Santa Barbara Street; the fact that residents in his neighborhood are not moving their vehicles for the sweeper and that many animals in his neighborhood appear to be unlicensed.

COMMUNICATIONS

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Monday, March 16, 2015
Administration Conference Room/Council Chambers

City Manager Fontes briefly shared regarding the upcoming State of the City and regarding his meeting with Congresswoman Brownley regarding the chlorides issue and possible water funding.

Councilmember Gherardi shared about the upcoming Luna fest on Saturday at 7:00 p.m. at the Community Center, sponsored by the Soroptomist Club. All proceeds go to American Breast Cancer Fund. She also warned the Fire and Police regarding her concerns of the upcoming Edison outage 8 p.m. to 5 a.m.

Councilmember Gherardi expressed her concerns of the difficulty in the process of opening a business in Santa Paula after her visit to the opening of Denny's restaurant.

Mayor Procter shared his experience during his visits to the Vista Real Public Charter School and his visit and for the Children at Barbara Webster School for the "Read across America" program.

Vice Mayor Hernandez also share of his positive experience reading for the kindergarteners at Barbara Webster during the "Read across America" program.

APPROVAL OF FINAL AGENDA

It was moved by Vice Mayor Hernandez, seconded by Councilmember Tovias to approve final agenda as presented. All were in favor and the motion carried.

CONSENT CALENDAR

Councilmember Crosswhite requested to pull Items 9C & 9G. City Attorney asked that Item 9H be pulled and continued to the April 6, 2015 meeting. It was moved by Councilmember Gherardi, seconded by Councilmember Tovias to approve the Consent Calendar as amended. All were in favor and the motion carried.

- A. Waiver of Reading of Ordinances and Resolutions– Waive reading of Ordinances and Resolutions appearing on the Agenda.
- B. Adoption of Minutes – It is recommended that the City Council adopt the minutes from the Regular City Council Meeting of February 2, 2015 and the Joint City Council/Planning Commission Meeting of February 17, 2015. Deputy City Clerk, Lucy Blanco's report dated March 10, 2015.

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- D. **Six-Month Extension of the Extension of the Service Employees International Union (SEIU) Local 721 Contract** - It is recommended that the City Council: (1) approve the Memorandum of Understanding (MOU) Extension of the SEIU, Local 721 contract; and (2) take such additional, related action that may be desirable.
- E. **Award Steckel Water Conditioning Facility Filter Media Replacement Project to ERS Industrial Services, Inc.** – It is recommended that the City Council: (1) allocate \$423,332.00 from the approved FY14/15 Capital Improvement Program budgets for the Steckel Water Conditioning Facility Filter Media Replacement Project; (2) authorize the City Manager to execute a contract with ERS Industrial Services, Inc. for \$384,847.15 in a form approved by the City; and (3) take such additional, related action that may be desirable. Interim Public Works Director Brian J. Yanez and Capital Projects Engineer John L. Ilasin’s report dated March 4, 2015.
- F. **Award March Street Fence Project** – It is recommended that the City Council: (1) allocate \$12,024.60 from the approved FY 14/15 Public Works Budget Account 100.5.5011.209; (2) authorize the City Manager to execute a contract with Fence Factory for \$11,452.00 in a form approved by the City; and (3) take such additional, related action that may be desirable. Interim Public Works Director Brian J. Yanez and Capital Projects Engineer John L. Ilasin’s report dated March 4, 2015.

CONSENT CALENDAR (SEPARATE ACTION ITEMS)

- C. **Second Reading and Adoption of Ordinance No. 1255** – It is recommended that the City Council: (1) waive the second reading and adopt Ordinance 1255; and (2) authorize the City Manager to execute the attached agreement that certain funds be utilized to recruit, retain and equip police officers; and (3) take such additional, related action that may be desirable. **ORDINANCE NO. 1255** – AN ORDINANCE ADOPTING THE AMENDED EAST AREA 1 SPECIFIC PLAN (SP-3) AND FIRST AMENDED AND RESTATED DEVELOPMENT AGREEMENT. Deputy City Clerk Lucy Blanco’s report dated March 6, , 2015.

Mayor Procter recused himself due to conflict. Vice Mayor Hernandez took over the meeting.

It was moved by Councilmember Tovas, seconded by Vice Mayor Hernandez to waive the second reading and adopt Ordinance 1255; and authorize the City Manager to execute the attached agreement that certain funds be utilized to recruit, retain and equip police officers. Under roll call vote, Councilmember Tovas and Vice Mayor Hernandez were in favor; Councilmembers Crosswhite and Gherardi were opposed. The motion failed.

It was moved by Councilmember Gherardi, seconded by Councilmember Crosswhite to waive the second reading and adopt Ordinance 1255; authorize the City Manager to execute the attached agreement that certain funds be utilized to recruit, retain and equip police officers, do not include the letter attached and to direct staff to return with what the former Council's original intent was and present this information to the current Council along with further documentation from Limoneira for this Council's consideration. Under roll call vote, Councilmember Crosswhite, Councilmember Gherardi, Councilmember Tovas and Vice Mayor Hernandez were in favor. The motion passed.

- G. **Approval of the Settlement Agreement, Purchase and Sale Agreement and Related documents required to Purchase the Wastewater Recycling Facility** – It is recommended that the City Council: (1) approve the settlement agreement with Santa Paula Water, LLC; (2) authorize the City Manager to execute the settlement agreement, purchase and sale agreement and related documents in a form approved by the City Attorney; and (3) take such additional, related action as may be appropriate. City Manager Jaime M. Fontes and City Attorney John C. Cotti's report dated March 11, 2015.

It was moved by Councilmember Crosswhite, seconded by Councilmember Gherardi to approve the settlement agreement with Santa Paula Water, LLC and authorize the City Manager to execute the settlement agreement, purchase and sale agreement and related documents in a form approved by the City Attorney. All were in favor and the motion carried.

ORDER OF BUSINESS

- A. **Update on Recovery of Costs for City Services -**

Finance Director Sandra K. Easley's report dated March 9, 2015.

It was moved by Councilmember Gherardi, seconded by Councilmember Vice Mayor Hernandez to receive and file the report and direct staff to seek request for proposals for a fee study and to return with a draft of a written plan for full cost recovery. All were in favor and the motion carried.

B. Update on Accounting System -

Finance Director Sandra K. Easley's report dated March 9, 2015.

It was moved by Councilmember Gherardi, seconded by Mayor Procter to direct staff to get on the waiting list for the current system upgrade (Version X) to consider contacting other Cities to help with recommendations and to seek request for proposals for both an upgrade and an entire new system. All were in favor under roll call vote and the motion carried.

COMMUNICATIONS

No communications.

FUTURE AGENDA ITEMS

It was moved by Councilmember Gherardi, seconded by Mayor Procter to work with the school district on a joint project to paint murals on City water tanks. All were in favor and the motion carried.

ADJOURNMENT

Mayor Procter adjourned the Meeting at 8:22 p.m.

ATTEST:

Judy Rice
City Clerk

**CITY OF SANTA PAULA
MEMORANDUM**

To: Honorable Mayor and Members of the City Council

From: Brian J. Yanez, Interim Public Works Director
John L. Ilasin, Capital Projects Engineer

Subject: Award Well 12 Rehabilitation Project to Weber Water Resources CA, LLC

Date: March 26, 2015

Recommendation: It is recommended that City Council: 1) Allocate \$179,366.00 from the approved FY14/15 Capital Improvement Program budgets for the Well 12 Rehabilitation Project; 2) Authorize the City Manager to execute a contract with Weber Water Resources CA, LLC for \$163,060.00 in a form approved by the City Attorney; and 3) Take such additional, related action that may be desirable.

Fiscal Impacts: This project will be funded from the approved FY14/15 Capital Improvement Program budget for the Well Rehabilitation Program (Account 620.5.9267.660).

Personnel Impacts: None.

General Discussion: The City Potable Water System Master Plan (October 2005 and amended June 2012) identifies Well 12 as needing rehabilitation to restore pumping efficiency. Well 12 is one of five active wells in the City. Well 12 is located at 1611 Lemmon Wood Drive and is currently the only water source on the east side of the City. Well 12 was drilled in 1990 and its last rehabilitation was in 2006. The City Potable Water System Master Plan recommends rehabilitation of Well 12 once every five years or as needed. Well 12 is past its recommended rehabilitation frequency, and this project will restore the pumping efficiency and add capacity and increase the longevity of the well. In addition, restoring the pump efficiency may qualify the City for energy saving incentives. For example, Southern California Edison periodically offers incentives. City staff will be seeking and, if available, applying for any energy saving incentives for this project.

The general scope of work for the project consists of cleaning and disinfecting the well screen, gravel pack, and restoring the pump equipment assembly. Cleaning involves high pressure water jetting, and disinfecting involves chemical treatment. Typical chemical treatment for disinfecting wells consists of a mixture of phosphoric acid, polymeric acid solution, and potable water. The existing pump equipment assembly is in

For the Regular City Council Meeting of April 6, 2015

good and operational condition and will be salvaged and re-installed after the well is cleaned and disinfected.

City staff advertised for inviting sealed bids on February 11, 2015. One bid was received on March 5, 2015. The bid results are as follows:

	Contractor	Bid Amount
1.	Weber Water Resources CA, LLC	\$163,060.00

A possible reason for receiving such a low number of bids is the specialized scope of work involved for the project. The low bid of \$163,060.00 submitted by Weber Water Resources CA, LLC is an acceptable bid that is responsive to and meets the requirements of the bid specifications.

Alternatives:

- A. Approve City staff's recommendation.
- B. Deny City staff's recommendation.
- C. Provide City staff with additional direction.

Attachments: None

**CITY OF SANTA PAULA
MEMORANDUM**

To: Honorable Mayor and Members of the City Council
From: Brian J. Yanez, Interim Public Works Director
John L. Ilasin, Capital Projects Engineer
Subject: Notice of Completion for the Well 13 Rehabilitation Project
Date: March 27, 2015

Recommendation: It is recommended that the City Council: 1) Accept the work performed by Bakersfield Well & Pump Company; 2) Authorize City staff to file the Notice of Completion with the County Recorder; and 3) Take such additional action that may be desired.

Fiscal Impacts: The process of filing the Notice of Completion has no fiscal impact on the City.

Personnel Impacts: None.

General Discussion: The City Council awarded the construction contract to Bakersfield Well & Pump Company on January 22, 2013, in an amount of \$120,000.00. City staff issued the Notice of Award on February 6, 2013, and authorized the Notice to Proceed with the project on March 20, 2013.

The following is the summary of the construction cost:

ORIGINAL CONTRACT AMOUNT	\$	120,000.00
CONTRACT CHANGE ORDERS	\$	0.00
FINAL CONTRACT AMOUNT	\$	120,000.00

The project was constructed in accordance with the contract documents. The final construction contract amount is \$120,000.00.

Alternatives:

- A. Approve City staff's recommendation as presented.
- B. Deny City staff's recommendation as presented.
- C. Provide City staff with additional information.

Attachments: Notice of Completion

Recording Requested by
and When Recorded Mail To:
City Clerk, City Hall
P. O. Box 569
Santa Paula, CA 93061

NO FEE (GOVERNMENT CODE § 27383)

NOTICE OF COMPLETION OF CONSTRUCTION PROJECT

Project Name: Well 13 Rehabilitation Project
Project No.: 600.00

Notice is hereby given pursuant to State of California Civil Code Section 3093 et seq that:

1. The undersigned is an officer of the owner of the interest stated below in the property hereinafter described.
2. The full name of the owner is: City of Santa Paula
3. The full address of the owner is: City Hall, 970 Ventura Street, Santa Paula, CA 93060
4. The nature of the interest of the owner is: Public utility facility
5. A Work of improvement on the property hereinafter described was field reviewed by the Engineer in June 2013. The Work done was: Rehabilitating water well including cleaning and disinfecting; salvaging and re-installing pump equipment assembly; and other incidental and appurtenant work necessary for the proper construction of the contemplated improvement, as indicated on the project plans.
6. On March 2, 2015, the City of Santa Paula accepted the Work of this contract as being complete and directed the recording of this Notice of Completion in the Office of the County Recorder.
7. The name of the Contractor for such Work of improvement was: Bakersfield Well & Pump Company.
8. The property on which said Work of improvement was completed is in the City of Santa Paula, County of Ventura, State of California, and is described as follows:
9. The street address of said property is: 250 N. Cemetery Road, Santa Paula, CA 93060.

Dated: _____

Brian J. Yanez
Interim Public Works Director

VERIFICATION

I, the undersigned, say: I am the City Manager of the City of Santa Paula, the declarant of the foregoing Notice of Completion; I have read said Notice of Completion and know the contents thereof; the same is true of my own knowledge.

I declare under penalty of perjury the foregoing is true and correct.

Executed on _____, 20__ at Santa Paula, California.

Jaime M. Fontes
City Manager

**CITY OF SANTA PAULA
MEMORANDUM**

To: Honorable Mayor and Members of the City Council

From: Brian J. Yanez, Interim Public Works Director
John L. Ilasin, Capital Projects Engineer

Subject: Resolution No. 6923 of the City Council of the City of Santa Paula
Authorizing and Directing the Public Works Director or Its Designee to
Execute Right of Way Certifications Required for Projects Administered by
the State of California Department of Transportation (Caltrans)

Date: March 24, 2015

Recommendation: It is recommended that the City Council: (1) adopt Resolution No. 6923 Authorizing and Directing the Public Works Director or Its Designee to Execute Right of Way Certifications Required for Projects Administered by the State of California Department of Transportation (Caltrans); and (2) take such additional, related action as may be desired.

Fiscal Impacts: The process of adopting the resolution has no fiscal impact on the City.

Personnel Impacts: None.

General Discussion: The City regularly applies for any available federal and state-aid surface transportation funds for City street projects. These funds are administered by the State of California Department of Transportation (Caltrans) who has oversight and advisory interest. One of Caltrans requirements before these funds are obligated to the local agency (i.e. cities, counties, and other public agencies) is for the local agency to issue a written certification of the ownership status of all rights of way or Right of Way Certification for a proposed surface transportation project. According to Caltrans requirements, a Right of Way Certification for each proposed surface transportation project must be executed by the local agency governing body through resolutions. Or, the local agency governing body may designate through a one-time resolution an official authorized and directed to execute a Right of Way Certification for each proposed surface transportation project. City staff recommends for the City Council to designate the Public Works Director or its designee authorization and direction to execute Right of Way Certifications with subject to the review and approval by the City Attorney as to form.

Execution of Right of Way Certifications by the Public Works Director or its designee will make any necessary commitment and certification to Caltrans as to the following:

For the Regular City Council Meeting of April 6, 2015

- State of title for and rights to enter and use real property;
- Access control;
- Facilities affected by construction work;
- Material sites and disposal sites;
- Utilities and utility relocations;
- Clearance from physical obstructions;
- Relocation assistance;
- Cooperative agreements;
- Environmental review and mitigation;
- Commitments to indemnify, defend, and hold harmless Caltrans providing or approving funds and or permits; and
- Such other and similar commitments and certificates as are necessary or convenient to complete federal or state-aid projects.

Alternatives:

- A. Approve City staff's recommendation as presented.
- B. Deny City staff's recommendation as presented.

Attachments: Resolution No. 6923

RESOLUTION NO. 6923

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA PAULA
AUTHORIZING AND DIRECTING THE PUBLIC WORKS DIRECTOR OR ITS
DESIGNEE TO EXECUTE RIGHT OF WAY CERTIFICATIONS REQUIRED
FOR PROJECTS ADMINISTERED BY THE STATE OF CALIFORNIA
DEPARTMENT OF TRANSPORTATION (CALTRANS)**

The City Council for the City of Santa Paula does resolve as follows:

SECTION 1: The City Council finds and declares as follows:

- A. The City applies for federal and state-aid surface transportation funds for City street projects. These funds are administered by the State of California Department of Transportation (Caltrans);
- B. In order to secure these funds, the City must certify the ownership status of all rights of way in the project area, including, among others, the state of title for and rights to enter and use real property; and such other and similar commitments and certificates as are necessary or convenient to complete federal- or state-aid projects.

SECTION 2: Authorization. The Public Works Director of the City of Santa Paula or its designee is hereby authorized, subject to the review and approval by the City Attorney as to form, to execute any necessary certification to the State of California Department of Transportation (Caltrans), in which Caltrans has oversight or an advisory interest.

SECTION 3: The City Clerk is directed to passage of this resolution.

SECTION 4: This Resolution will become effective immediately upon adoption.

PASSED AND ADOPTED this 6th day of April, 2015

John Procter, Mayor

ATTEST:

Judy Rice, City Clerk

APPROVED AS TO FORM:

John C. Cotti, City Attorney

APPROVED AS TO CONTENT:

Jaime M. Fontes, City Manager

For the Santa Paula Utility Authority and City Council Meeting of April 6, 2015

**SANTA PAULA UTILITY AUTHORITY
M E M O R A N D U M**

To: Honorable Chair and Members of the Governing Board
Honorable Mayor and Members of the City Council

From: Jaime M. Fontes, Executive Director and City Manager,
John C. Cotti, Authority General Counsel and City Attorney

Subject: Issuance of Wastewater Enterprise Revenue Bonds

Date: April 1, 2015

Recommendation: It is recommended that the Board 1) approve Resolution No. 2015-2(U) authorizing the issuance of wastewater enterprise revenue bonds and Resolution No. 6925 authorizing and directing execution of certain financing documents and directing certain related actions in connection with financing the acquisition of certain improvements to the City's Wastewater Enterprise; and 2) take such additional, related action that may be desirable.

Fiscal Impacts: There will be a savings from moving from private financing to public financing and the final savings will be determined when the bonds are priced.

Personnel Impacts: None

General Discussion: The Board is asked to consider adopting a resolution that will authorize (a) the issuance of wastewater enterprise revenue bonds, subject to certain parameters being achieved during the course of the bond pricing by the underwriter (namely, the principal amount, net interest cost, and underwriter's discount must all be below the maximum amounts set forth in the resolution), and (b) the execution and delivery of the documents described below, all of which are in substantially final form except for interest rates, debt service schedules and other information that is dependent on the final pricing of the bonds.

1. The Indenture of Trust among the Authority, the City and The Bank of New York Mellon Trust Company, as trustee, which provides for the issuance of the bonds and contains all of the terms and conditions of the bonds such as security, payment, and early redemption.
2. The First Amendment to Lease Agreement between the Authority and the City, which amends the 2010 lease agreement, under which the City leased the wastewater enterprise to the Authority, in order to add the wastewater treatment plant lease. The Authority will use the proceeds of the bonds to make an upfront

lease payment to the City that will provide the funds needed for the City to acquire the treatment plant.

3. The Preliminary Official Statement, which is the disclosure document used for the offering and sale of the bonds to investors, and as such, is subject to certain federal securities laws concerning the offering and sale of securities. These laws require the Preliminary Official Statement to accurately include all facts that would be "material" to an investor in the bonds. In this context, information is material if there is a substantial likelihood it would have actual significance in the deliberations of a reasonable investor when deciding whether to buy or sell the bonds.

The Preliminary Official Statement has been reviewed and approved for transmittal to the Board and the City Council by staff and the team of consultants, but is being submitted to the Board and the City Council for review and approval. Approval of the resolution will authorize a member of City staff to execute a certificate to the effect that the Preliminary Official Statement has been "deemed final," which the underwriter is required to have before offering the bonds to investors, but also to make any changes to the document in order to ensure that it is materially accurate and complete.

4. The Bond Purchase Agreement is a contract between the City and First Southwest Company (the investment bank underwriting the bonds) that will be signed on the pricing date and contains the basic pricing terms for the bonds (principal amount, purchase price, interest rates, maturity dates, and amortization schedule), and obligates First Southwest to purchase the bonds on the closing date subject to certain closing conditions.

Resolution No. 6925 authorizes and directs staff to execute certain financing documents and direct certain related actions in connection with financing the acquisition of certain improvements to the City's wastewater enterprise.

The Bonds are payable from revenues of the wastewater enterprise received by the Authority, and not by any taxes or revenues of the City. The bonds are not payable from the City's general fund, and the City has no obligation to make up for shortfalls in the revenues available to pay debt service on the bonds, if any were to occur.

Recommended Action:

- A. Approve Resolution No. 2015-2(U) authorizing the issuance of wastewater enterprise revenue bonds;
- B. Approve Resolution No. 6925 authorizing and directing execution of certain financing documents and directing certain related actions in connection with financing the acquisition of certain improvements to the City's Wastewater Enterprise and 2) take such additional, related action that may be desirable.

Attachments: Resolution No. 2015-2 (U)

Resolution No. 6925
First Amendment to Wastewater Enterprise Lease Agreement
Indenture of Trust

RESOLUTION NO. 2015-2 (U)

RESOLUTION OF THE SANTA PAULA UTILITY AUTHORITY AUTHORIZING THE ISSUANCE OF SEWER REVENUE BONDS IN AN INITIAL PRINCIPAL AMOUNT NOT TO EXCEED \$72,000,000 IN CONNECTION WITH FINANCING THE ACQUISITION OF CERTAIN IMPROVEMENTS TO THE CITY OF SANTA PAULA'S WASTEWATER ENTERPRISE, AUTHORIZING AND DIRECTING EXECUTION OF AN INDENTURE OF TRUST AND CERTAIN OTHER DOCUMENTS, AUTHORIZING THE NEGOTIATION FOR THE SALE OF BONDS, APPROVING AN OFFICIAL STATEMENT, AND AUTHORIZING OTHER RELATED ACTIONS

BE IT RESOLVED by the Governing Board of the Santa Paula Utility Authority as follows:

SECTION 1: The Governing Board of the Santa Paula Utility Authority finds as follows:

- A. The Authority is a joint exercise of powers authority duly organized and existing under a Joint Exercise of Powers Agreement dated as of November 16, 2009, and under 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 under Article 4 of the Act (the "Bond Law") to borrow money for the purpose of financing public capital improvements.
- B. The City of Santa Paula (the "City") owns a municipal wastewater system (the "Wastewater Enterprise") which it has leased to the Authority under a Wastewater Enterprise Lease Agreement dated as of February 1, 2010 (the "Original Lease Agreement").
- C. The Authority and the City are concurrently entering into a First Amendment to Wastewater Enterprise Lease Agreement (the "First Amendment to Lease Agreement"), which amends the Original Lease Agreement.
- D. For the purpose of making an upfront lease payment under the First Amendment to Lease Agreement, and financing the acquisition of certain improvements to the Wastewater Enterprise consisting of an existing wastewater treatment plant, the Authority has determined to issue its 2015 Wastewater Enterprise Revenue Bonds, in one or more series (the "Bonds"), under the Bond Law and an Indenture of Trust (the "Indenture") among the Authority, the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

- E. The Authority desires to prepare and make available to potential investors an official statement relating to the Bonds containing information to be used in connection with the sale of Bonds.
- F. The Governing Board (the "Board") of the Authority has duly considered such transactions and wishes at this time to approve said transactions in the public interests of the Authority.

NOW, THEREFORE, BE IT RESOLVED, BY THE GOVERNING BOARD OF THE SANTA PAULA UTILITY AUTHORITY, AS FOLLOWS:

SECTION 2: Findings and Determinations. Pursuant to the Act, the Board hereby finds and determines that the issuance of the Bonds and the transactions related thereto will result in significant public benefits to its members within the contemplation of Section 6586 of the Act.

SECTION 3: Issuance of Bonds; Approval of Indenture. The Board hereby authorizes the issuance of the Bonds in a maximum aggregate principal amount not to exceed \$72,000,000. The Bonds shall be issued pursuant to the Bond Law and the Indenture, may be issued in one or more series, and may be issued as a combination of federally tax-exempt and federally taxable bonds. The Board hereby approves the Indenture in the form on file with the Secretary of the Authority (the "Secretary"), together with such additions thereto and changes therein as the Chairperson, Vice Chairperson, Executive Director, Secretary, or Treasurer (each, a "Designated Officer"), or the designee of any of them, deems necessary, desirable or appropriate upon consultation with bond counsel to the Authority, the execution of which by the Authority shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers, each acting alone, are hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest, the final form of the Indenture for and in the name and on behalf of the Authority. The Board hereby authorizes the performance by the Authority of its obligations under the Indenture.

SECTION 3: Approval of First Amendment to Lease Agreement. The Board hereby approves the form of the First Amendment to Lease Agreement by and between the Authority and the City in the form on file with the Secretary, together with such additions thereto and changes therein as the Designated Officers deem necessary, desirable or appropriate upon consultation with bond counsel to the Authority, the execution of which by the Authority shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers, each acting alone, are hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest, the final forms of the First Amendment to Lease Agreement for and in the name of and on behalf of the Authority. The Authority hereby authorizes the performance by the Authority of its obligations under the First Amendment to Lease Agreement.

SECTION 5: Sale of Bonds. The Authority hereby authorizes and directs the Treasurer of the Authority to sell the Bonds pursuant to a negotiated sale to First Southwest Company (the "Underwriter"). The Authority hereby approves the form of the Bond Purchase Agreement on file with the Secretary, together with such additions thereto and changes therein as the Designated Officers deem necessary, desirable or appropriate upon consultation with bond counsel to the Authority, the execution of which by the Authority shall be conclusive evidence of the approval of any such additions or changes, provided that no such addition or change may (a) increase the aggregate principal amount of Bonds to be in excess of \$72,000,000, or (b) provide for a net interest cost in excess of 5.50%, or (c) provide for an underwriter's discount (exclusive of any original issue discount) greater than 1.00%. The Designated Officers, each acting alone, are hereby authorized and directed to execute the Bond Purchase Agreement and to take all actions necessary to fulfill the Authority's obligations thereunder.

SECTION 6: Official Statement. The Board hereby approves the form of preliminary Official Statement relating to the Bonds (the "Official Statement") on file with the Secretary, together with such changes or additions thereto as the Designated Officers deem necessary, desirable or appropriate upon consultation with bond counsel to the Authority, and authorizes the Designated Officers, each acting alone, to deem the preliminary Official Statement final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, except for omissions permitted therein. Distribution of such preliminary Official Statement by the Underwriter is hereby approved. The Designated Officers, each acting alone, are hereby authorized to execute the final form of the Official Statement with such changes or additions as the Designated Officers deem necessary, desirable or appropriate upon consultation with bond counsel to the Authority, and the execution of the final Official Statement by the Authority shall be conclusive evidence of the approval of any such additions and changes. The Board hereby authorizes the distribution of the final Official Statement. The final Official Statement shall be executed in the name of and on behalf of the Authority by a Designated Officer.

SECTION 7: Official Actions. The Designated Officers, and any and all other officers of the Authority, are hereby authorized and directed, for and in the name of and on behalf of the Authority, to do any and all things and take any and all actions, including execution and delivery of any and all documents, assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and sale of the Bonds and the consummation of the transactions as described herein, including without limitation, a continuing disclosure certificate and such documents, assignments, certificates and agreements as may be required by the Indenture, the First Amendment to Lease Agreement and any and all other documents and agreement approved hereunder.

PASSED, APPROVED, AND ADOPTED, this 6th day of April, 2015.

John Procter, Chair
Santa Paula Utility Authority

ATTEST:

Judy Rice, Secretary

Approved as to form:

John Cotti, Authority Counsel

RESOLUTION NO. 6925

RESOLUTION OF THE CITY OF SANTA PAULA APPROVING, AUTHORIZING AND DIRECTING EXECUTION OF CERTAIN FINANCING DOCUMENTS AND DIRECTING CERTAIN RELATED ACTIONS IN CONNECTION WITH FINANCING THE ACQUISITION OF CERTAIN IMPROVEMENTS TO THE CITY'S WASTEWATER ENTERPRISE

BE IT RESOLVED by the Council of the City of Santa Paula as follows:

SECTION 1: THE CITY COUNCIL FINDS AS FOLLOWS:

- A. The City of Santa Paula (the "City") owns a municipal wastewater system (the "Wastewater Enterprise") which it has leased to the Santa Paula Utility Authority (the "Authority") under a Wastewater Enterprise Lease Agreement dated as of February 1, 2010 (the "Original Lease Agreement").
- B. The Authority and the City are concurrently entering into a First Amendment to Wastewater Enterprise Lease Agreement (the "First Amendment to Lease Agreement"), which amends the Original Lease Agreement.
- C. For the purpose of making an upfront lease payment under the First Amendment to Lease Agreement, and financing the acquisition of certain improvements to the Wastewater Enterprise consisting of an existing wastewater treatment plant, the Authority has determined to issue its 2015 Wastewater Enterprise Revenue Bonds, in one or more series (the "Bonds"), under the Bond Law and an Indenture of Trust (the "Indenture") among the Authority, the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").
- D. The Authority desires to prepare and make available to potential investors an official statement relating to the Bonds containing information to be used in connection with the sale of Bonds.
- E. The City has duly considered such transactions and wishes at this time to approve certain matters relating to said transactions in the public interest of the City;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SANTA PAULA, AS FOLLOWS:

SECTION 2: Approval of Indenture. The City Council hereby approves the Indenture in the form on file with the City Clerk, together with such additions thereto and changes therein as the Mayor, City Manager, City Clerk, City Treasurer or Finance Director (each, a "Designated Officer"), or the designee of any of them, deems necessary, desirable or appropriate upon consultation with bond counsel to the City, the

execution of which by the City shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers, each acting alone, are hereby authorized and directed to execute, and the City Clerk is hereby authorized and directed to attest, the final form of the Indenture for and in the name and on behalf of the City. The City Council hereby authorizes the performance by the City of its obligations under the Indenture.

SECTION 3: Approval of First Amendment to Lease Agreement. The City Council hereby approves the form of the First Amendment to Lease Agreement by and between the Authority and the City in the form on file with the City Clerk, together with such additions thereto and changes therein as the Designated Officers deem necessary, desirable or appropriate upon consultation with bond counsel to the City, the execution of which by the City shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers, each acting alone, are hereby authorized and directed to execute, and the City Clerk is hereby authorized and directed to attest, the final forms of the First Amendment to Lease Agreement for and in the name of and on behalf of the City. The City hereby authorizes the performance by the City of its obligations under the First Amendment to Lease Agreement.

SECTION 4: Official Statement. The City Council hereby approves the form of preliminary Official Statement relating to the Bonds (the "Official Statement") on file with the City Clerk, together with such changes or additions thereto as the Designated Officers deem necessary, desirable or appropriate upon consultation with bond counsel to the City, and authorizes the Designated Officers, each acting alone, to deem the preliminary Official Statement final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, except for omissions permitted therein. Distribution of such preliminary Official Statement by the Underwriter is hereby approved. The Designated Officers, each acting alone, are hereby authorized to execute the final form of the Official Statement with such changes or additions as the Designated Officers deem necessary, desirable or appropriate upon consultation with bond counsel to the City, and the execution of the final Official Statement by the City shall be conclusive evidence of the approval of any such additions and changes. The City Council hereby authorizes the distribution of the final Official Statement. The final Official Statement shall be executed in the name of and on behalf of the City by a Designated Officer.

SECTION 5: Official Actions. The Designated Officers and any and all other officers of the City are hereby authorized and directed, for and in the name of 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 documents, assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and sale of the Bonds and the consummation of the transactions as described herein, including, without limitation, refunding instructions and such other documents, assignments, certificates and agreements as may be required by any of the documents approved herein.

PASSED, APPROVED, AND ADOPTED, this 6th day of April, 2015.

John Procter, Mayor
City of Santa Paula

ATTEST:

Judy Rice, City Clerk

Approved as to form:

John C. Cotti, City Attorney

Approved as to content:

Jaime M. Fontes, City Manager

**FIRST AMENDMENT TO
WASTEWATER ENTERPRISE LEASE AGREEMENT**

Dated as of April 1, 2015

by and between

**THE CITY OF SANTA PAULA
as Lessor**

and

**THE SANTA PAULA UTILITY AUTHORITY
as Lessee**

FIRST AMENDMENT TO WASTEWATER ENTERPRISE LEASE AGREEMENT

This First Amendment to Wastewater Enterprise Lease Agreement (this "First Amendment"), dated as of April 1, 2015, is by and between the CITY OF SANTA PAULA, a general law city duly organized and existing under the laws of the State of California (the "City"), and the SANTA PAULA UTILITY AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California (the "Authority");

BACKGROUND:

1. The Authority and the City entered into a Wastewater Enterprise Lease Agreement dated as of February 1, 2010 (the "Original Lease"), under which the City leased its existing municipal wastewater enterprise (the "Enterprise") to the Authority in return for an up-front lease payment ("Total Rent").

2. The Authority and the City now wish to add to the Enterprise an existing wastewater treatment plant known as the Santa Paula Wastewater Reclamation Facility located at 905 Corporation Street, Santa Paula, California (the "Wastewater Treatment Plant"), and for that purpose, desire to enter into this First Amendment in order to amend the definition of the Enterprise therein and to provide for an additional payment of Total Rent to fund the cost of acquiring the Wastewater Treatment Plant.

3. The Authority and the City are concurrently entering into an Indenture of Trust with The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), in order to provide for, and secure the issuance by the Authority of, a series of revenue bonds, the proceeds of which will be used to finance the additional payment of the Total Rent hereunder.

4. Following the acquisition of the Wastewater Treatment Plant by the City, the Design, Build, Operate and Finance Agreement among the City, Santa Paula Water, LLC, and Pacific Environmental Resources Corp., dated June 16, 2008 (the "DBOF"), and all related agreements, will terminate.

5. This First Amendment is being entered into under Section 7.3 of the Original Lease.

AGREEMENT:

In consideration of the mutual agreements and covenants herein contained and for other valuable consideration, the City and the Authority do hereby agree as follows:

Section 1. Definitions. The following definitions contained in Section 1.1 of the Original Lease Agreement are hereby amended and restated in their entirety:

"Bonds" means, collectively,

(a) bonds of the Authority captioned "\$5,900,000 Santa Paula Utility Authority Wastewater Enterprise Revenue Bonds, 2010A Series," and "\$6,130,000 Santa Paula Utility Authority Wastewater Enterprise Revenue Bonds, 2010B Series," and

(b) bonds of the Authority captioned “\$_____ Santa Paula Utility Authority 2015 Wastewater Enterprise Revenue Bonds, Series A” and “\$_____ Santa Paula Utility Authority 2015 Wastewater Enterprise Revenue Bonds, Taxable Series B.”

“Indenture” means, collectively,

(a) the Indenture of Trust dated as of February 1, 2010, by and among the Authority, the City and the Trustee, and

(b) the Indenture of Trust dated as of April 1, 2015, by and among the Authority, the City and the Trustee.

Section 2. Termination of DBOF. The parties acknowledge that the DBOF will be terminated within 18 months after the date the Wastewater Treatment Plant is acquired by the City, and acknowledge and agree that, from and after the date of final termination of the DBOF, all references in the Original Lease Agreement to Service Fee payments under the DBOF no longer have any force or effect.

The parties also acknowledge and agree that the Trust Agreement and Ground Lease (as those terms are defined in the Original Lease Agreement) have been terminated and all references thereto in the Original Lease no longer have any force or effect.

Section 3. Addition to Enterprise. In accordance with Section 3.1 of the Original Lease Agreement, the Authority and the City hereby acknowledge and agree that (a) the Wastewater Treatment Plant, when acquired by the City, shall constitute a component of the Enterprise and subject of the lease, and (b) the Total Rent is hereby increased by \$_____, which the Authority hereby exercises its right to prepay in full under section 9.2 of the Original Lease.

Section 4. Original Lease Continues in Effect. Except as amended and supplemented by this First Amendment, the Original Lease shall remain in full force and effect.

IN WITNESS WHEREOF, the Authority and the City have caused this First Amendment to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

SANTA PAULA UTILITY AUTHORITY

By _____
Chairperson

ATTEST:

By _____
Secretary

CITY OF SANTA PAULA

By _____
Mayor

ATTEST:

By _____
City Clerk

INDENTURE OF TRUST

Dated as of April 1, 2015

By and Among

THE SANTA PAULA UTILITY AUTHORITY

and

THE CITY OF SANTA PAULA

and

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

Authorizing the Issuance of

**\$ _____
Santa Paula Utility Authority
2015 Wastewater Enterprise Revenue Bonds, Series A**

**\$ _____
Santa Paula Utility Authority
2015 Wastewater Enterprise Revenue Bonds, Taxable Series B**

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APPENDIX A FORM OF BOND

INDENTURE OF TRUST

This INDENTURE OF TRUST (this "Indenture"), dated as of April 1, 2015, is by and among the SANTA PAULA UTILITY AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California (the "Authority"), the CITY OF SANTA PAULA, a general law city duly organized and existing under the laws of the State of California (the "City"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, with a corporate trust office in Los Angeles, California, being qualified to accept and administer the trusts hereby created (the "Trustee").

BACKGROUND:

1. The Authority is a joint exercise of powers authority duly organized and existing under a Joint Exercise of Powers Agreement dated as of November 16, 2009, originally by and between the City of Santa Paula (the "City") and the Santa Paula Redevelopment Agency, and under 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 under Article 4 of the Act (the "Bond Law") to borrow money for the purpose of financing public capital improvements. By action of the board of directors of the Authority on April 21, 2014, the Santa Paula Housing Authority was admitted as an additional member of the Authority.

2. The Authority and the City are concurrently entering into a First Amendment to Wastewater Enterprise Lease Agreement dated as of April 1, 2015, by and between the City, as lessor, and the Authority, as lessee (the "First Amendment to Lease Agreement"), which amends the Wastewater Enterprise Lease Agreement dated as of February 1, 2010, under which the City has leased to the Authority the City's municipal wastewater system (the "Enterprise").

3. For the purpose of making an upfront lease payment under the First Amendment to Lease Agreement, and financing the acquisition of certain improvements to the Enterprise consisting of an existing wastewater treatment plant, the Authority has determined to issue the following bonds under this Indenture and the Bond Law: its 2015 Wastewater Enterprise Revenue Bonds, Series A (the "Series A Bonds") in the aggregate principal amount of \$_____, and its 2015 Wastewater Enterprise Revenue Bonds, Taxable Series B (the "Taxable Series B Bonds" and, collectively with the Series A Bonds, the "Bonds") in the aggregate principal amount of \$_____.

4. The Bonds will be secured by and payable from Net Revenues (as defined herein) of the Enterprise on a parity with the outstanding bonds of the Authority captioned "\$5,900,000 Santa Paula Utility Authority Wastewater Enterprise Revenue Bonds, 2010A Series," and "\$6,130,000 Santa Paula Utility Authority Wastewater Enterprise Revenue Bonds, 2010B Series."

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

6. The Authority has found and determines, and hereby affirms, that all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture have been in all respects duly authorized.

A G R E E M E N T :

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

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION

SECTION 1.01. Definitions. Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms set forth in this Indenture shall have the meanings assigned to them in this Section 1.01.

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

(a) an allowance for Net Revenues from any additions or improvements to or extensions of the Enterprise to be financed from the proceeds of such Parity Obligations or from any other source, all in an amount equal to 90% of the estimated additional Net Revenues to be derived from such additions, improvements and extensions for the first 12-month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer employed by the Authority, and

(b) an allowance for Net Revenues arising from any increase in the charges made for service from the Enterprise that have become effective prior to the incurring of such Parity Obligations, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of the most recent completed Fiscal Year or during any more recent 12-month period selected by the Authority, all as shown by the certificate or opinion of an Independent Accountant employed by the Authority.

“Annual Debt Service” means, for each Bond Year with respect to the Bonds, the sum of:

(a) the interest payable on the Outstanding Bonds in such Bond Year, and

(b) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year, including from mandatory sinking fund payments.

“Authority” means the Santa Paula Utility Authority, a joint exercise of powers authority organized and existing under the laws of the State of California.

“Authorized Representative” means:

(a) with respect to the Authority, its Chairperson, Vice Chairperson, Executive Director, Treasurer, Secretary or any other person designated as an Authorized Representative of the Authority by a resolution adopted by the board of directors of the Authority or a Written Certificate of the Authority signed by its Chairperson and filed with the City and the Trustee; and

(b) with respect to the City, its Mayor, City Manager, City Clerk, City Treasurer, Finance Director or any other person designated as an Authorized Representative of the City by a resolution adopted by the City Council or a Written Certificate of the City signed by its Mayor or City Manager and filed with the Authority and the Trustee.

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

"Bond Fund" means the fund by that name established and held by the Trustee under Section 5.01.

"Bond Law" means the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584, as in effect on the Closing Date or as thereafter amended.

"Bond Year" means each twelve-month period extending from February 2 in one calendar year to February 1 of the succeeding calendar year, both dates inclusive; except that the first Bond Year commences on the Closing Date and extends to and including February 1, 2015.

"Bonds" means the Series A Bonds and the Taxable Series B Bonds that may be Outstanding at any time under this Indenture and the Bond Law.

"Business Day" means any day (i) other than a Saturday or a Sunday or (ii) any other day on which commercial banks located in the city in which the Office of the Trustee is located are authorized or required by law to close.

"City" means the City of Santa Paula, a municipal corporation and general law city organized and existing under the laws of the State of California.

"Closing Date" means _____, 2015, the date of delivery of the Bonds to the Original Purchaser.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Authority or the City relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to: printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee, and the Trustee's counsel, including the Trustee's first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; bond insurance and surety bond premiums, if any; fees and charges for preparation, execution and safekeeping of the Bonds; and any other cost, charge or fee in connection with the original issuance of the Bonds.

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

"Defeasance Obligations" means:

- (a) Cash;
- (b) Federal Securities;

(c) The interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;

(d) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

(i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank;

(ii) certificates of beneficial ownership of the Farmers Home Administration;

(iii) Federal Housing Administration debentures;

(iv) participation certificates of the General Services Administration;

(v) Federal Financing Bank bonds and debentures;

(vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association;

(vii) guaranteed Title XI financings of the U.S. Maritime Administration; and

(viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development;

(e) bonds, notes or other evidences of indebtedness rated at the time of purchase AAA by S&P and Aaa by Moody's issued by the Fannie Mae or the Federal Home Loan Mortgage Corporation; and

(f) any pre-refunded bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(i) which are rated at the time of purchase, based on the refunding escrow, in the highest rating category of S&P and Moody's or

(ii)(A) which are fully secured as to principal and interest and redemption premium (if any) by a fund consisting only of cash or Federal Securities, which fund may be applied only to the payment of such principal of and interest and redemption premium (if any) in such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates under such irrevocable instructions, as appropriate, and (B) which fund is sufficient, as verified by an Independent Accountant, to pay principal of and interest and redemption premium (if any) on the bonds or other obligations described in this

paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate.

“Depository” means (a) initially, DTC, and (b) any other Securities Depositories acting as Depository under Section 2.05.

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

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

“Enterprise” means the wastewater system of the City leased to the Authority under the Lease, including but not limited to all facilities, properties and improvements at any time leased or owned by the City for the collection, treatment and disposal of wastewater from residents served thereby, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the Authority or the City.

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

“Fair Market Value” has the meaning set forth in section 5.07(d).

“Federal Securities” means:

(a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; and

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

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

“Governmental Agency” means the State of California, and the United States of America, acting through any of its agencies, to the extent that the State of California or such agency has loaned money to the Authority or the City for the Enterprise.

“Governmental Loan” means any loan made by a Governmental Agency to the Authority or the City that is secured by a pledge of Net Revenues and incurred by the Authority or the City to finance improvements to the Enterprise.

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

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

"Interest Account" means the account by that name established and held by the Trustee in the Bond Fund under Section 5.02.

"Interest Payment Dates" means each February 1 and August 1, commencing August 1, 2015, so long as any Bonds remain unpaid.

"Lease" means the Wastewater Enterprise Lease Agreement dated as of February 1, 2010, by and between the City, as lessor, and the Authority, as lessee, as amended by the First Amendment to Wastewater Enterprise Lease Agreement dated as of April 1, 2015, by and between the City and the Authority, and as may be further amended from time to time in accordance with its terms, relating to the lease of the Enterprise from the City to the Authority.

"Management Agreement" means the Wastewater Enterprise Management Agreement dated as of February 1, 2010, by and between the Authority and the City, relating to the operation and management of the Enterprise by the City on behalf of the Authority, as it may be amended from time to time in accordance with its terms.

"Maximum Annual Debt Service" means, as of the date of any calculation, the largest Annual Debt Service on the Bonds during the current or any future Bond Year.

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

"Net Revenues" means, for any Fiscal Year, an amount equal to all of the Revenues received with respect to such Fiscal Year, minus Operation and Maintenance Costs becoming payable with respect to such Fiscal Year.

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

"Office" means the corporate trust office of the Trustee in Los Angeles, California, or such other or additional offices as the Trustee may designate in writing to the Authority from time to time as the corporate trust office for purposes of the Indenture; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term means the office or agency of the Trustee at which, at any particular time, its corporate trust business is conducted.

"Operation and Maintenance Costs" means costs spent or incurred for maintenance and operation of the Enterprise calculated in accordance with generally accepted accounting principles, including but not limited to:

(a) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Enterprise in good repair and working order,

(b) administrative costs of the City that are charged directly or apportioned to the Enterprise, including but not limited to salaries and wages of employees, payments to any pension system, overhead, insurance premiums, taxes (if any), fees of auditors, accountants, attorneys or engineers, and

(c) all other reasonable and necessary costs or charges of the City and the Authority (other than debt service payments) required to comply with the terms of the Bonds or of any resolution or indenture authorizing the issuance of Parity Obligations, or of such Parity Obligation.

But in all cases, "Operation and Maintenance Costs" exclude:

(i) debt service payable on obligations incurred by the Authority or the City with respect to the Enterprise, including but not limited to the payment of Debt Service on the Bonds, the 2010 Bonds and any Parity Obligations,

(ii) depreciation, replacement and obsolescence charges or reserves therefor,

(iii) capital expenditures (other than as set forth in paragraph (a) above), and

(iv) amortization of intangibles or other bookkeeping entries of a similar nature.

"Original Purchaser" means First Southwest Company, the original purchaser of the Bonds at the negotiated sale thereof.

"Outstanding," when used as of any particular time with reference to Bonds, means, subject to the last paragraph of Section 10.01 of this Indenture, all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except:

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

(b) Bonds with respect to which all liability of the Authority has been discharged in accordance with Section 10.02, including Bonds (or portions thereof) described in Section 11.09; and

(c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds have been authenticated and delivered by the Trustee under this Indenture.

"Overdue Rate" means the highest rate of interest on any of the Outstanding Bonds.

"Owner," whenever used herein with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

"Parity Obligations" means the following:

(a) any bonds, notes, leases, installment sale agreements or other obligations of the Authority payable from and secured by a pledge of and lien upon any of the Net

Revenues on a parity with the payment of debt service on the Bonds, entered into or issued under and in accordance with Section 6.06,

(b) the 2010 Bonds, and

(c) any Governmental Loan that is treated as a Parity Obligation under Section 6.09.

"Parity Obligations Documents" means any indenture of trust, trust agreement, installment sale agreement, or other document authorizing the issuance of any Parity Obligations or any securities that evidence Parity Obligations.

"Permitted Investments" means any of the following which at the time of investment are determined by the Authority to be legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Trustee shall be entitled to rely conclusively upon any such determination by the Authority):

- (a) Federal Securities.
- (b) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: Export-Import Bank, Farmers Home Administration, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, U.S. Department of Housing & Urban Development, and Federal Housing Administration;
- (c) bonds, notes or other evidences of indebtedness rated AAA by S&P and Aaa by Moody's issued by the Fannie Mae or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;
- (d) U.S. dollar denominated deposit accounts (including those with the Trustee or with any affiliate of the Trustee), unsecured certificates of deposit, including those placed by a third party pursuant to an agreement between the Trustee and the Authority, demand deposits, including interest bearing money market accounts, trust deposits, trust accounts, time deposits, overnight bank deposits, interest-bearing deposits, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of A-1 or A-1+ by S&P and P-1 by Moody's, and maturing no more than 360 days after the date of purchase;
- (e) commercial paper which is rated at the time of purchase in the single highest classification, A-1+ by S&P and P-1 by Moody's and which matures not more than 270 days after the date of purchase;
- (f) investments in a money market mutual fund rated, at the time of purchase, AAAM or AAAM-G or better by S&P, which may include funds for which the Trustee or its affiliates provide investment advisory or other management services for a fee, including serving as administrator, shareholder servicing agent, and/or custodian or sub-custodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services

rendered, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;

- (g) Repurchase and reverse repurchase agreements collateralized with Federal Securities, including those of the Trustee or any of its affiliates.
- (h) any pre-refunded bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (i) which are rated, at the time of purchase, based on the refunding escrow, in the highest rating category of S&P and Moody's or (ii)(A) which are fully secured as to principal and interest and redemption premium (if any) by a fund consisting only of cash or Federal Securities, which fund may be applied only to the payment of such principal of and interest and redemption premium (if any) in such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates under such irrevocable instructions, as appropriate, and (B) which fund is sufficient, as verified by an Independent Accountant, to pay principal of and interest and redemption premium (if any) on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;
- (i) investment agreements, with notice to each rating agency then rating the Bonds;
- (j) the Local Agency Investment Fund established under Section 16429.1 of the Government Code of the State of California, *provided, however*, that the Trustee must be allowed to make investments and withdrawals in its own name and the Trustee may restrict investments in the Local Agency Investment Fund if required to keep moneys available for the purposes of the Indenture; and
- (k) any other investment permitted under Section 53601 of the California Government Code.

"Principal Account" means the account by that name established and held by the Trustee in the Bond Fund under Section 5.02.

"Project Costs" means, with respect to the Wastewater Project, all costs of the acquisition thereof which are paid from moneys on deposit in the Project Fund, including but not limited to:

- (a) all costs required to be paid to any person under the terms of any agreement for or relating to the acquisition of the Wastewater Project;

(b) obligations incurred for labor and materials in connection with the acquisition of the Wastewater Project;

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

(d) all transaction costs, including without limitation escrow fees and consultant costs, incurred by the City or the Authority in connection with the acquisition of the Wastewater Project;

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

(f) all financing costs incurred in connection with the acquisition of the Wastewater Project.

"Project Fund" means the fund by that name established and held by the City under Section 3.04.

"Qualified Reserve Account Credit Instrument" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company, provided that all of the following requirements are met:

(a) the long-term credit rating of such bank or insurance company is in one of the three highest rating categories by Moody's and S&P (without regard to numerical or other modification);

(b) such letter of credit or surety bond has a term of at least 12 months;

(c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to Section 5.05; and

(d) the Trustee is authorized under such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to Sections 5.03 or 5.04.

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

"Redemption Fund" means the fund by that name established and held by the Trustee under Section 5.06.

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

"Reserve Account" means the account by that name established and held by the Trustee in the Bond Fund under Section 5.02.

"Reserve Requirement" means, as of the date of calculation, the least of

- (a) Maximum Annual Debt Service on the Bonds,
- (ii) 10% of the total of the proceeds of the Bonds, and
- (iii) 125% of average Annual Debt Service on the Bonds.

"Revenue Fund" means the fund established and held by the City under Section 5.01 with respect to the Enterprise for the receipt and deposit of Revenues.

"Revenues" means all revenues, income, rents, fees, charges, rates and other moneys and receipts derived by the Authority from or attributable to the lease and operation of the Enterprise including, without limitation, the following:

- (i) all revenues attributable to the Enterprise or to the payment of the costs thereof received by the Authority, including without limitation revenues derived from user rates and charges, any contract for service from the Enterprise or any part thereof, and any contractual arrangement with respect to the use of the Enterprise or any portion thereof or the services or capacity thereof,
- (ii) the proceeds of any standby or connection fees collected by the Authority,
- (iii) the proceeds of any insurance covering business interruption loss relating to the Enterprise,
- (iv) investment income earned on any moneys or securities deposited in any accounts to secure or provide for the payment of Debt Service, and interest received on any invested moneys of the Enterprise.

However, Revenues shall exclude in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the Authority, any proceeds of property taxes or assessments required by law to be used by the Authority to pay bonds or other obligations secured by those property taxes or assessments, and any amounts reimbursed to the Authority by the United States of America pursuant to Section 54AA of the Code, or any future similar program.

"Securities Depositories" means The Depository Trust Company; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses or such other securities depositories as the Authority designates in written notice filed with the Trustee.

"Series A Bonds" means the Santa Paula Utility Authority 2015 Wastewater Enterprise Revenue Bonds, Series A, issued in the aggregate principal amount of \$ _____ under this Indenture and the Bond law.

"S&P" means Standard & Poor's, a division of the McGraw Hill Companies, of New York, New York, its successors and assigns, except that if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, then the term "S&P" shall be

deemed to refer to any other nationally recognized securities rating agency selected by the Authority or the City.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

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

“Taxable Series B Bonds” means the Santa Paula Utility Authority 2015 Wastewater Enterprise Revenue Bonds, Taxable Series B, issued in the aggregate principal amount of \$ _____ under this Indenture and the Bond law.

“Term Bonds” means the Bonds maturing February 1, 20____.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under the laws of the United States of America, or its successor or successors, as Trustee hereunder as provided in Article VIII.

“2010 Bonds” means, collectively, the outstanding bonds of the Authority captioned “\$5,900,000 Santa Paula Utility Authority Wastewater Enterprise Revenue Bonds, 2010A Series,” and “\$6,130,000 Santa Paula Utility Authority Wastewater Enterprise Revenue Bonds, 2010B Series.”

“2010 Indenture” means the Indenture of Trust dated as of February 1, 2010, by and among the Authority, the City and the Trustee, providing for the issuance of the 2010 Bonds.

“Wastewater Project” means the wastewater treatment plant known as the Santa Paula Wastewater Reclamation Facility located at 905 Corporation Street, Santa Paula, California.

“Written Certificate,” “Written Request” and “Written Requisition” of the Authority or the City mean, respectively, a written certificate, request or requisition signed in the name of the Authority or the City by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

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

SECTION 1.03. Interpretation.

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

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

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

ARTICLE II

THE BONDS

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

The Authority hereby authorizes the issuance of the Bonds in the aggregate principal amount of \$_____ under the Bond Law for the purposes of providing funds to enable the City to acquire the Wastewater Project. The Bonds are authorized and issued under, and are subject to the terms of, this Indenture and the Bond Law. The Bonds are designated the "Santa Paula Utility Authority Wastewater Enterprise Revenue Bonds, 2015 Series."

SECTION 2.02. Terms of the Bonds.

(a) Payment Provisions. The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Bonds shall mature on February 1 in each of the years and in the amounts, and bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates, as follows:

<u>Maturity Date</u> <u>(February 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
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Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

(a) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,

(b) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or

(c) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

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

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

SECTION 2.03. Form and Execution of Bonds. The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

An Authorized Representative of the Authority shall execute, and the Secretary of the Authority shall attest, each Bond. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any Bond ceases to be such officer before the Closing Date, such signature will nevertheless be as effective as if the officer had remained in office until the Closing Date. Any Bond may be signed and attested on behalf of the Authority by such persons as at the actual date of the execution of such Bond are the proper officers of the Authority, duly authorized to execute debt instruments on behalf of the Authority, although on the date of such Bond any such person was not an officer of the Authority.

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

SECTION 2.04. Transfer and Exchange of Bonds.

(a) Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to

the Trustee, duly executed. The Trustee shall collect any tax or other governmental charge on the transfer of any Bonds under this Section. Whenever any Bond or Bonds is surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount. The Authority shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds.

(b) Exchange. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of any Bonds under this subsection (b). The Authority shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

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

SECTION 2.05. Book-Entry System.

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

With respect to Bonds the ownership of which is registered in the name of the Nominee, neither the Authority nor the Trustee has any responsibility or obligation to any Depository System Participant or to any person on behalf of which the Nominee holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, the Authority and the Trustee has no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed if the Authority elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds.

The Authority and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal of and premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever.

The Trustee shall pay the principal of and the interest and premium, if any, on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with

respect to payment of principal of and interest and premium, if any, on the Bonds to the extent of the sum or sums so paid.

No person other than a Bond Owner shall receive a Bond evidencing the obligation of the Authority to make payments of principal, interest and premium, if any, under this Indenture.

Upon delivery by the Depository to the Authority of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the Authority shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the Authority shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the Authority or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners.

Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the Authority may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the Authority determines to terminate the Depository as such, then the Authority shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the Authority and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued.

The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c).

If, prior to the termination of the Depository acting as such, the Authority fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

If the Authority determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Authority may notify the Depository System Participants of the availability of such certificated Bonds through the Depository. In such event, the Trustee will authenticate, transfer and exchange Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the Authority shall cooperate with the Depository in taking appropriate action (i) to make available one or more separate certificates evidencing the Bonds to any Depository System Participant having Bonds credited to its account with the Depository, or (ii) to arrange

for another Securities Depository to maintain custody of a single certificate evidencing such Bonds, all at the Authority's expense.

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

SECTION 2.06. Registration Books. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall upon reasonable notice as agreed to by the Trustee, be open to inspection during regular business hours by the Authority; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as hereinbefore provided.

SECTION 2.07. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond is mutilated, the Authority, at the expense of the Owner of such Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. The Trustee shall cancel every mutilated Bond surrendered to it and deliver such mutilated Bond to, or upon the order of, the Authority.

If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory and if indemnity satisfactory to the Trustee is given, the Authority, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen.

The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Trustee in connection therewith.

Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds issued under this Indenture.

Notwithstanding any other provision of this Section 2.07, in lieu of delivering a new Bond for which principal has become due for a Bond that has been mutilated, lost, destroyed or stolen, the Trustee may make payment of such Bond in accordance with its terms upon receipt of indemnity satisfactory to the Trustee.

ARTICLE III

ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

SECTION 3.01. Issuance of the Bonds. At any time after the execution of this Indenture, the Authority may execute and the Trustee shall, upon the Written Request of the Authority, authenticate and deliver the Bonds to the Original Purchaser.

SECTION 3.02. Application of Proceeds of Sale of the Bonds. Upon the receipt of payment for the Bonds on the Closing Date, the Trustee shall receive the net proceeds of sale thereof, being \$ _____, calculated as follows:

- \$ _____ (constituting the par amount of the Bonds),
- plus original issue premium in the amount of \$ _____, and
- less an underwriters' discount of \$ _____,

which the Trustee shall apply as follows:

(a) The Trustee shall deposit \$ _____ in the Costs of Issuance Fund.

(b) The Trustee shall deposit \$ _____ in the Reserve Account of the Bond Fund.

(c) The Trustee shall transfer the remaining balance, \$ _____, to the City for deposit in the Project Fund.

The Trustee may establish and maintain a temporary account or fund to facilitate and record such deposits and transfers.

SECTION 3.03. Establishment and Application of Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund" into which the Trustee shall deposit a portion of the proceeds of sale of the Bonds under Section 3.02. The Trustee shall disburse amounts in the Costs of Issuance Fund from time to time to pay the Costs of Issuance upon submission of a Written Requisition of the Authority stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. The Trustee may conclusively rely on such Written Requisitions and shall be fully protected in relying thereon.

On _____ 1, 2015, or upon the earlier Written Request of the Authority, the Trustee shall transfer all amounts remaining in the Costs of Issuance Fund to the Interest Account, and shall thereupon close the Costs of Issuance Fund.

SECTION 3.04. Project Fund. The City will establish and maintain a separate fund to be known as the "Project Fund" into which the City shall deposit the funds received from the Trustee under Section 3.02, which constitute an upfront lease payment under the First Amendment to Lease Agreement in consideration for the addition of the Wastewater Project to the property leased under the Lease.

Except as otherwise provided herein, moneys in the Project Fund will be used solely for the payment of the Project Costs. The Trustee has no responsibility for payments made in accordance with this Section 3.04. The City shall maintain accurate records showing all disbursements from the Project Fund.

Following the acquisition of the Wastewater Project, as evidenced by the filing by the City with the Trustee of a Written Certificate stating that the Wastewater Project has been acquired, the City shall withdraw from the Project Fund and transfer to the Trustee, for deposit in the Interest Account, all amounts remaining on deposit in the Project Fund, and the City shall thereupon close the Project Fund.

SECTION 3.05. Validity of Bonds. The recital contained in the Bonds that they are issued under the Constitution and laws of the State of California shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

ARTICLE IV

REDEMPTION OF BONDS

SECTION 4.01. Terms of Redemption.

(a) Optional Redemption from any Source of Available Funds. The Bonds maturing on or before February 1, 20____, are not subject to optional redemption prior to their respective stated maturity dates.

The Bonds maturing on or after February 1, 20____, are subject to redemption in whole, or in part among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after February 1, 20____, from any available source of funds, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

The Authority must give the Trustee written notice of its intention to redeem Bonds under this subsection (a), and the manner of selecting such Bonds for redemption from among the maturities thereof, in sufficient time to enable the Trustee to give notice of such redemption in accordance with Section 4.03.

(b) Mandatory Sinking Fund Redemption. The Term Bonds are also subject to redemption, by lot, on February 1 in each of the years as set forth in the following table, from deposits made for such purpose pursuant to Section 5.02, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium (or in lieu thereof may be purchased as set forth below).

Term Bonds Maturing February 1, 20__

Sinking Fund
Redemption Date
(February 1)

Principal
Amount To Be
Redeemed

20__ (Maturity)

However, if some but not all of the Term Bonds have been redeemed pursuant to subsection (a) above, the total amount of all future payments pursuant to this subsection (b) with respect to such Term Bonds shall be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments in integral multiples of \$5,000 as determined by the Authority (written notice of which determination shall be given by the Authority to the Trustee).

In lieu of redemption of the Term Bonds pursuant to the preceding paragraph, amounts on deposit in the Bond Fund (to the extent not required to be deposited by the Trustee in the Interest Account or the Principal Account pursuant to Section 5.02 during the current Bond Year) may also be used and withdrawn by the Authority, upon the Written Request of the Authority delivered to the Trustee, at any time for the purchase of such Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Authority may in its discretion determine. The par amount of any of such Term Bonds so purchased by the Authority in any 12-month period ending on May 15 in any year shall be credited towards and shall reduce the par amount of such Term Bonds required to be redeemed pursuant to this subsection (b) on the next succeeding February 1.

SECTION 4.02. Selection of Bonds for Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the Bonds of a single maturity of the same issue, the Trustee shall select the Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

SECTION 4.03. Notice of Redemption. The Trustee shall mail notice of redemption of the Bonds by first class mail, postage prepaid, not less than 30 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books, and the Securities Depositories.

The Trustee shall electronically file a copy of each notice of redemption with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system, or such other services providing information with respect to called bonds in accordance with then-current guidelines of the Securities and Exchange Commission, or any other such services the Authority may designate in writing to the Trustee.

Each notice of redemption shall state:

- (i) the date of the notice,
- (ii) the redemption date,
- (iii) the place or places of redemption,
- (iv) whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed,
- (v) the CUSIP numbers and (in the event that not all Bonds within a maturity are called for redemption) Bond numbers of the Bonds to be redeemed and the maturity or maturities of the Bonds to be redeemed, and
- (vi) in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed.

Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds.

Each notice relating to a redemption pursuant to Section 4.01(a) may be conditional, and shall further state that such redemption may be rescinded by the Authority on or prior to the date set for redemption.

Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

SECTION 4.04. Rescission of Redemption. The Authority shall have the right to rescind any optional redemption pursuant to Section 4.01(a) by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default hereunder. The Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

SECTION 4.05. Execution of New Bonds Upon Partial Redemption of Bonds. Upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered.

SECTION 4.06. Effect of Redemption. If notice of redemption has been duly given as provided above, and moneys for payment of the redemption price of, interest accrued to the date fixed for redemption on, and any applicable premium on, the Bonds (or portions thereof) so called for redemption are held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, those Bonds (or portions

thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of those Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed under the provisions of this Article shall be canceled by the Trustee upon surrender thereof and destroyed in accordance with the retention policy of the Trustee then in effect.

ARTICLE V

REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

SECTION 5.01. Security for the Bonds; Bond Fund.

(a) Pledge of Revenues and Other Amounts. All of the Net Revenues and any other amounts (including the proceeds of the sale of the Bonds) held in any of the funds or accounts under this Indenture, are hereby irrevocably pledged, charged and assigned to the punctual payment of the principal of and interest on the Bonds, and except as otherwise provided herein the Net Revenues and such other funds shall not be used for any other purpose so long as any of the Bonds remain Outstanding.

This pledge, charge and assignment constitutes a lien on the Net Revenues and such other moneys for the payment of the principal of and interest on the Bonds in accordance with the terms of this Indenture, and shall attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

All Net Revenues collected or received by the Authority, or the City on behalf of the Authority, shall be deemed to be held, and to have been collected or received, by the Authority or the City as the agent of the Trustee and shall be paid by the Authority or the City to the Trustee pursuant to this Indenture.

(b) Deposit of Revenues in Revenue Fund. There is hereby continued the Revenue Fund, which is held and administered by the City on behalf of the Authority pursuant to this Indenture and the 2010 Indenture. The Authority shall cause the City, and the City hereby agrees and covenants, to deposit all of the Revenues immediately upon receipt in the Revenue Fund.

The City shall, from the moneys in the Revenue Fund, first, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as they become due and payable. All remaining moneys in the Revenue Fund shall be disbursed as set forth in Section 5.02 below.

(c) Special Obligation of the Authority; Obligations Absolute. The Authority's obligation to pay the Annual Debt Service payments and any other amounts coming due and payable hereunder are a special obligation of the Authority limited solely to the Net Revenues available hereunder. Under no circumstances shall the Authority be required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of Annual Debt Service, nor shall any other funds or property of the Authority be liable for the payment of Annual Debt Service or any other amounts coming due and payable hereunder.

The obligations of the Authority to make Annual Debt Service payments from the 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 setoff, counterclaim or recoupment arising out of any breach of the Authority, the City or the Trustee of any obligation with respect to the Enterprise, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the Authority or the City by the Trustee. Until all of the Annual Debt

Service payments and all other amounts coming due and payable hereunder are fully paid or prepaid and defeased, the Authority (a) will not suspend or discontinue payment of any Debt Service payments or such other amounts, and (b) will perform and observe all other agreements contained in this Indenture, including, without limitation the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Enterprise, sale of the Enterprise, the taking by eminent domain of title to or temporary use of any component of the Enterprise, commercial frustration of purpose, any change in the tax law or other laws of the United States of America or the State or any political subdivision of either thereof or any failure of the Authority or the Trustee to perform and observe any agreement, whether expressed or implied, or any duty, liability or obligation arising out of or connected with this Indenture.

SECTION 5.02. Application of Revenue Fund. After the payment of the amounts set forth in Section 5.01(b) above, the City shall transfer moneys in the Revenue Fund to the Trustee, in the amounts, at the times and in the order set forth below. The Trustee shall promptly deposit such moneys in the Interest Account, Principal Account and Reserve Account of the Bond Fund (all of which are hereby created as a fund and accounts therein to be held and administered by the Trustee), at the times and in the order set forth below.

(a) Deposits to Interest Account. On or before each January 15 and July 15, the City shall, from the moneys in the Revenue Fund, and without preference or priority,

(i) transfer to the Trustee for deposit into the Interest Account of the Bond Fund the amount equal to the aggregate amount of interest coming due and payable on the Bonds on the next succeeding Interest Payment Date, and

(ii) transfer to each fiduciary for the Parity Obligations for deposit in the interest account relating to such Parity Obligations a sum sufficient to provide for the portion of the next succeeding debt service payment designated as interest and coming due on the next succeeding Interest Payment Date, less any amounts withdrawn by such fiduciary from any capitalized interest account established for such Parity Obligations for deposit in such interest account.

If on any such January 15 or July 15 Net Revenues are insufficient to make all of such transfers, the City shall transfer ratably each interest payment relating to the Bonds and the Parity Obligations.

(b) Deposits to Principal Account. On or before each January 15, the City shall, from the moneys in the Revenue Fund, and without preference or priority,

(i) transfer to the Trustee for deposit into the Principal Account of the Bond Fund the amount equal to the aggregate amount of the principal coming due and payable on the next succeeding Principal Payment Date, whether by reason of scheduled maturity or mandatory sinking fund redemption, and

(ii) transfer to each fiduciary for the Parity Obligations for deposit in the analogous principal account relating to such Parity Obligations a

sum sufficient to provide for the portion of the next succeeding debt service payment designated as principal and coming due on the next succeeding Principal Payment Date, whether by reason of scheduled maturity or mandatory sinking fund redemption.

If on any such January 15 Net Revenues are insufficient to make all of such transfers, the City shall transfer ratably each principal payment relating to the Bonds and the Parity Obligations.

(c) Credit for Amounts on Hand. Any moneys already on deposit in the Interest Account or the Principal Account of the Bond Fund or in any analogous interest account or principal account as a result of interest earnings may be taken into account by the City in making such transfers to the Trustee and such other fiduciaries.

(d) Deposits to Reserve Account. On or before each January 15 and July 15, the City shall, from the moneys in the Revenue Fund, and without preference or priority,

(i) if the amount on deposit in the Reserve Account is below the Reserve Requirement, transfer to the Trustee for deposit into the Reserve Account of the Bond Fund the amount equal to such insufficiency, and

(ii) if there is an insufficiency in the applicable reserve fund or account for Parity Obligations, transfer to each fiduciary for the Parity Obligations for deposit in the analogous debt service reserve account relating to such Parity Obligations the amount equal to such insufficiency.

(e) Surplus. Moneys on deposit in the Revenue Fund not necessary to make any of the payments required above may be expended by the City and the Authority at any time for any lawful purpose.

SECTION 5.03. Application of Interest Account. The Trustee shall use and withdraw all amounts in the Interest Account solely for the purpose of paying interest on the Bonds as it comes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

SECTION 5.04. Application of Principal Account. The Trustee shall use and withdraw all amounts in the Principal Account solely to pay the principal amount of the Bonds on their respective maturity dates, including the aggregate principal amount of the Term Bonds (if any) subject to mandatory sinking fund redemption under Section 4.01(b).

SECTION 5.05. Application of Reserve Account .

(a) Disbursements. The Trustee shall use and withdraw all amounts in the Reserve Account solely for the following purposes:

(i) paying interest on or principal of the Bonds when due and payable to the extent that moneys deposited in the Interest Account or Principal Account are not sufficient for such purposes,

(ii) paying the redemption price of Term Bonds to be redeemed pursuant to Section 4.01(b) if amounts on deposit in the Principal Account are not sufficient for such purpose, and

(iii) making the final payments of principal of and interest on the Bonds.

On the date on which all Bonds mature and are retired, or are defeased under Article X hereof, the Trustee shall withdraw all moneys then on deposit in the Reserve Account and pay them to the Authority for use by the Authority for any lawful purpose.

Semiannually, on or before each Interest Payment Date, the Trustee shall value the Reserve Account at Fair Market Value, and shall transfer any amounts on deposit in the Reserve Account in excess of the Reserve Requirement to the Interest Account of the Bond Fund.

(b) Replenishment. If as of the 1st day of the month preceding any Interest Payment Date there is any deficiency in the Reserve Account (whether due to a payment therefrom, the fluctuation in market value of securities credited thereto, or otherwise), the Trustee shall promptly notify the Authority in writing of the amount of such deficiency and the Authority shall cause the City to pay to the Trustee the amount of such deficiency as provided in Section 5.02(d) hereof.

(c) Substitution of Surety. The Authority shall have the right at any time to release any cash (including Permitted Investments) on deposit from the Reserve Account, in whole or in part, by tendering to the Trustee: (1) a Qualified Reserve Account Credit Instrument, and (2) an opinion of Bond Counsel stating that such release will not, of itself, cause the interest on the Bonds to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Trustee, the Trustee shall transfer such funds from the Reserve Account to or upon the direction of the Authority.

If the Reserve Account is funded with a combination of cash and a Qualified Reserve Account Credit Instrument, the Trustee shall deplete all cash balances before drawing on the Qualified Reserve Account Credit Instrument. With regard to replenishment, any available moneys provided by the Authority or the City shall be used first to reinstate the Qualified Reserve Account Credit Instrument and second, to replenish the cash in the Reserve Account. If the Qualified Reserve Account Credit Instrument is drawn upon, the Authority shall make payment of interest on amounts advanced under the Qualified Reserve Account Credit Instrument after making any payments pursuant to this subsection

Prior to the expiration of any Qualified Reserve Account Credit Instrument, or upon the reduction of the rating of the provider thereof below the rating on the Bonds, the Authority shall be obligated either (a) to replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (b) to deposit or cause to be deposited with the Trustee an amount of funds such that the funds on deposit in the Reserve Account, together with all Qualified Reserve Account Credit Instruments held by the Trustee, is at least equal to the Reserve Requirement.

SECTION 5.06. Investments. All moneys in any of the funds or accounts established with the Trustee under this Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the Authority under a Written Request of the Authority filed with the Trustee at least 2 Business Days in advance of the making of such

investments. In the absence of any such directions from the Authority, the Trustee shall hold any such moneys uninvested.

Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. To the extent Permitted Investments are registrable, such Permitted Investments must be registered in the name of the Trustee.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the Bond Fund.

For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee or any of its affiliates may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee may rely conclusively on the written investment direction of the Authority as to the suitability and legality of the directed investments.

The Trustee shall incur no liability for losses arising from any investments made under this Section.

The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder. The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or is dealing as a principal for its own account.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur at no additional cost, the Authority will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

The moneys on deposit in the funds and accounts established under this Indenture shall not be deemed "surplus" under Section 53601 of the Government Code.

SECTION 5.07. Valuation and Disposition of Investments.

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

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code shall be valued at cost thereof, (consisting of present value thereof within the meaning of Section 148 of the Tax Code); provided that the Authority shall inform the Trustee which funds are subject to a yield restriction.

(c) Except as provided in the preceding subsection (b), for the purpose of determining the amount in any fund or account established hereunder, the value of Permitted Investments credited to such fund shall be valued by the Trustee at least annually on or before February 1. The Trustee may sell or present for redemption, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from any such Permitted Investment.

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

(e) To the extent of any valuations made by the Trustee hereunder, the Trustee may utilize and rely upon generally recognized or computerized securities pricing services that may be available to it, including those available through its regular accounting system.

ARTICLE VI

COVENANTS OF THE AUTHORITY AND THE CITY

SECTION 6.01. Punctual Payment. The Authority shall punctually pay or cause to be paid the principal of and interest and premium (if any) on all the Bonds in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of the Net Revenues and other amounts pledged for such payment as provided in this Indenture.

SECTION 6.02. Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which have not been so extended.

Nothing in this Section limits the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance does not constitute an extension of maturity of the Bonds.

SECTION 6.03. Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Net Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture.

Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

SECTION 6.04. Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized under law to issue the Bonds and to enter into this Indenture and to pledge and assign the Net Revenues and other amounts purported to be pledged and assigned, respectively, under this Indenture in the manner and to the extent provided in this Indenture.

The Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of the Net Revenues and other assets and all the rights of the Bond Owners under this Indenture against all claims and demands of all persons whomsoever.

SECTION 6.05. Accounting Records. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds and all funds and accounts established under this Indenture. The Trustee shall make such books of record and account available for inspection by the Authority and the City during business hours, upon reasonable notice, and under reasonable circumstances.

SECTION 6.06. Budget and Appropriation. So long as any Bonds remain Outstanding, the Authority covenants that it shall adopt and make all necessary budgets and appropriations (including without limitation any supplemental budget or appropriation) of the Annual Debt Service payments from the Net Revenues.

The covenants on the part of the Authority contained in this Section shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the Authority to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the Authority to carry out and perform the covenants and agreements in this Section.

SECTION 6.07. Rates and Charges.

(a) Covenant Regarding Revenues. The Authority, jointly with the City, shall fix, prescribe, revise and collect rates, fees and charges for the Enterprise as a whole for the services and improvements furnished by the Enterprise during each Fiscal Year that are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Revenues that are sufficient to pay the following amounts in the following order of priority:

(i) all anticipated Operation and Maintenance Costs for such Fiscal Year;

(ii) Annual Debt Service payments as they become due and payable during such Fiscal Year, except to the extent that (a) sufficient funds to make such Annual Debt Service payments have been deposited in the Bond Fund prior to the commencement of such Fiscal Year, or (b) the Bonds have been defeased under Article X;

(iii) the amount, if any, required to restore the balance in the Reserve Account to the full amount of the Reserve Requirement; and

(iv) all other payments required to pay debt service on Parity Obligations coming due and payable during such Fiscal Year.

(b) Covenant Regarding Net Revenues. The Authority, jointly with the City, shall fix, prescribe, revise and collect rates, fees and charges for the Enterprise as a whole for the services and improvements furnished by the Enterprise during each Fiscal Year that, after making allowances for contingencies and error in the estimates, at least equal 120% of the total Debt Service payments coming due and payable in such Fiscal Year.

SECTION 6.08. Superior and Subordinate Obligations. The Authority shall not issue or incur any additional bonds or other obligations having any senior priority in payment of principal or interest out of the Net Revenues in whole or in part.

Nothing herein is intended or shall be construed to limit or affect the ability of the Authority to issue or incur (a) Parity Obligations pursuant to Section 6.09, or (b) obligations that are unsecured or secured by an interest in the Net Revenues junior and subordinate to the pledge of and lien upon the Net Revenues established hereunder.

SECTION 6.09. Issuance of Future Parity Obligations. Except for obligations incurred to prepay or defease the Bonds or any Parity Obligations, the Authority may issue or incur Parity Obligations while the Bonds are Outstanding only if all of the following conditions are satisfied:

(a) No Event of Default has occurred and is continuing under this Indenture.

(b) Net Revenues, calculated in accordance with generally accepted accounting procedures, as shown by the books of the Authority for the most recent completed Fiscal Year for which audited financial statements are available, or for any more recent consecutive 12-month period selected by the Authority, in either case verified by a certificate or opinion of an Independent Accountant, plus (at the option of the Authority) the Additional Revenues, are at least equal to 120% of Maximum Annual Debt Service, plus maximum annual debt service on all Parity Obligations then Outstanding (including the Parity Obligations then proposed to be issued).

(c) The Authority delivers to the City and the Trustee a Written Certificate of the Authority certifying that the conditions precedent to the issuance of such Parity Obligations set forth in subsections (a) and (b) above have been satisfied.

SECTION 6.10. Tax Covenants.

(a) Private Business Use Limitation. The Authority and the City shall assure that the proceeds of the Series A Bonds are not used in a manner which would cause the Series A Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. Neither the Authority nor the City may take any action or permit or suffer any action to be taken if the result would be to cause the Series A Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. Neither the Authority nor the City may take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Series A Bonds or of any other obligations 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 Series A Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Tax Code.

(d) Maintenance of Tax Exemption. The Authority and the City shall take all actions necessary to assure the exclusion of interest on the Series A Bonds from the gross income of the Owners of the Series A 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.

(e) Rebate of Excess Investment Earnings to United States. The Authority and the City shall calculate or cause to be calculated all amounts of excess investment earnings with respect to the Series A Bonds which are required to be rebated to the United States of America under Section 148(f) of the Tax Code, at the times and in the manner required under the Tax Code.

The Authority shall pay when due an amount equal to excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code, such payments to be made from any source of legally available funds of the Authority.

The Authority shall keep or cause to be kept, and retain or cause to be retained for a period of 6 years following the retirement of the Series A Bonds, records of the determinations made under this subsection (e).

SECTION 6.11. Waiver of Laws. The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

SECTION 6.12. Further Assurances. The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Indenture.

SECTION 6.13. Continuing Disclosure. The Authority hereby covenants and agrees to comply with and carry out all of the provisions of the continuing disclosure certificate or agreement (the "Continuing Disclosure Certificate") as originally executed as of the date of issuance and delivery of the Bonds, and as it may be amended from time to time in accordance with its terms.

Failure by the Authority to comply with the Continuing Disclosure Certificate shall not constitute a default hereunder; provided, however, that the Original Purchaser or any owner or beneficial owner of the Bonds may take such action as may be necessary and appropriate to compel performance by the Authority of its obligations under the Continuing Disclosure Certificate, including seeking mandamus or specific performance by court order.

SECTION 6.14. Maintenance, Utilities, Taxes and Assessments.

(a) Maintenance and Utilities. So long as any Bonds remain Outstanding, all improvement, repair and maintenance of the Enterprise shall be the responsibility of the Authority, and the Authority shall

(i) pay for or otherwise arrange for the payment of all utility services supplied to the Enterprise, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and

(ii) pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Enterprise resulting from ordinary wear and tear.

(b) Taxes and Assessments. So long as any Bonds remain Outstanding, the Authority shall pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority affecting the Enterprise or its interest or estate therein; provided, however, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Authority shall be obligated to pay only such installments as are required to be paid as and when they become due.

(c) Good Faith Contesting of Charges. The Authority may, at the Authority's expense and in its name, in good faith contest any such taxes, assessments, utility charges or other charges and, in the event of any such contest, may permit the taxes, assessments, utility charges or other charges so contested to remain unpaid during the period of such contest and

any appeal therefrom, unless the Trustee notifies the Authority that, in its opinion, by nonpayment of any such items, the interest of the Owners of the Bonds hereunder will be materially adversely affected, in which event the Authority shall promptly pay such taxes, assessments, utility charges or other charges or provide the Trustee with full security against any loss which may result from nonpayment, in form satisfactory to the Trustee.

SECTION 6.15. Operation of Enterprise.

The Authority covenants and agrees to cause the City to operate the Enterprise in an efficient and economical manner and to operate, maintain and preserve the Enterprise in good repair and working order. The Authority covenants that, in order to fully preserve and protect the priority and security of the Bonds, the Authority shall pay from the Revenues, and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Enterprise which, if unpaid, may become a lien or charge upon the Net Revenues prior or superior to the lien granted hereunder, or which may otherwise impair the ability of the Authority to pay Annual Debt Service in accordance herewith.

The Authority and the City each covenants and agrees to honor its respective obligations under the Management Agreement. The Authority hereby assigns all of its right, title and interest in and to the Management Agreement, with the exception of the indemnification rights granted pursuant to Article IX thereof, to the Trustee for the-benefit of the Trustee.

SECTION 6.16. Public Liability and Property Damage Insurance.

So long as any Bonds remain Outstanding, the Authority shall procure and maintain, or cause to be procured and maintained, but only if and to the extent available at reasonable cost from reputable insurers, standard comprehensive general insurance coverage in protection of the Authority, the City, and their respective members, officers, agents, assignees and employees, providing indemnification of those parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Enterprise.

This insurance coverage may be subject to such deductibles as are customary for works and property of a like character to the Enterprise, and may be maintained as part of or in conjunction with any other insurance coverage carried by the Authority or the City (subject to the requirements of Section 6.18 below), and may be maintained in whole or in part in the form of self-insurance by the Authority or the City, in the form of the participation by the Authority or the City in a joint powers agency or other program providing pooled insurance.

The proceeds of this insurance coverage shall be applied toward extinguishment or satisfaction of the liability with respect to which such proceeds are paid.

SECTION 6.17. Casualty Insurance.

So long as any Bonds remain Outstanding, the Authority shall procure and maintain, or cause to be procured and maintained, but only if and to the extent available at reasonable cost from reputable insurers, casualty insurance against loss or damage to any improvements constituting any part of the Enterprise, covering such hazards as are customarily covered with respect to works and property of like character.

This insurance coverage may be subject to such deductibles as are customary for works and property of a like character to the Enterprise, and may be maintained as part of or in

conjunction with any other insurance coverage carried by the Authority or the City, and may be maintained in whole or in part in the form of self-insurance by the Authority or the City (subject to the requirements of Section 6.18 below), in the form of the participation by the Authority or the City in a joint powers agency or other program providing pooled insurance.

The proceeds of this insurance coverage shall be applied (i) to repair, rebuild or replace such damaged or destroyed portion of the Enterprise, or (ii) to the extent not so applied or to the extent the Authority determines it is not economically feasible or in the best interests of the Authority or the City to repair, rebuild or replace such damaged or destroyed portion of the Enterprise, to redeem the Bonds ratably with other Parity Obligations.

SECTION 6.18. Annual Filings with Trustee.

The Authority shall annually on or before July 1 deliver to the Trustee a certificate to the effect that the Authority has complied with the requirements of Sections 6.16 and 6.17 above.

If any insurance coverage required by Sections 6.16 or 6.17 above is provided in the form of self-insurance, the Authority shall file with the Trustee annually, within 90 days following the close of each Fiscal Year, a statement of an independent actuarial consultant identifying the extent of such self-insurance and stating the determination that the Authority maintains sufficient reserves with respect thereto. If any insurance coverage required by Sections 6.16 or 6.17 above is provided in the form of self-insurance, the Authority shall not be obligated to make any payment with respect to any insured event except from Revenue or from such reserves.

SECTION 6.19. Eminent Domain. Any amounts received as awards as a result of the taking of all or any part of the Enterprise by the lawful exercise of eminent domain, at the election of the Authority (evidenced by a Written Certificate of the Authority filed with the Trustee and the City) shall be (a) used for the lease, acquisition or construction of improvements and extensions of the Enterprise, or (b) applied to redeem the Bonds ratably with other Parity Obligations.

SECTION 6.20. Restriction on Sale of Enterprise. So long as any Bonds remain Outstanding, the Authority shall not sell, lease, encumber or otherwise dispose of any substantial portion of the Enterprise, unless the proceeds of such sale, lease, encumbrance or other disposal is used to prepay and defease the Bonds in full and discharge this Indenture as provided in Article X hereof.

Nothing in this covenant shall be construed to restrict the sale, lease, encumbrance or other disposition by the Authority of less than a substantial portion of the Enterprise, provided that such sale, lease, encumbrance or other disposition is determined by the Authority to be necessary or desirable for the improvement, expansion or repair of the Enterprise, and the proceeds of such sale are used either to fund such improvement, expansion or repair of the Enterprise, or to redeem a portion of the Bonds pursuant to Section 4.01(a) hereof

For purposes of this covenant, a "substantial portion" of the Enterprise shall consist of more than 5% of the book value of the Enterprise.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

SECTION 7.01. Events of Default.

(a) Events of Default Defined. The following events constitute Events of Default hereunder:

(i) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(ii) Failure to pay any installment of interest on the Bonds when due.

(iii) Failure by the Authority or the City to observe and perform any of the other covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Authority and the City by the Trustee *provided, however*, if in the reasonable opinion of the Authority or the City the failure stated in the notice (other than a default in the payment of any fees and expenses owing to the Trustee) can be corrected, but not within such 30-day period, such failure shall not constitute an Event of Default if the Authority or the City institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.

(iv) The filing by the Authority or the City of a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws or any other applicable law of the United States of America, or if a federal or state court of competent jurisdiction approves a petition, filed with or without the consent of the Authority or the City, seeking reorganization under the Federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any federal or state court of competent jurisdiction assumes custody or control of the Authority or the City or of the whole or any substantial part of their property.

(b) Acceleration. If any Event of Default occurs, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding shall, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

(c) Cure. This provision, however, is subject to the condition that if, at any time after the principal of the Bonds has been so declared due and payable and before any judgment or decree for the payment of the moneys due has been obtained or entered, the Authority deposits with the Trustee a sum sufficient to pay all of the principal of and interest on the Bonds having come due prior to such declaration, with interest on such overdue principal and interest calculated at the net effective rate of interest per annum then borne by the Outstanding Bonds,

and the reasonable fees and expenses of the Trustee, together with interest thereon at the prime rate of the Trustee then in effect, and any and all other defaults that have been noticed (other than payment defaults) to the Trustee (other than in the payment of the principal of and interest on the Bonds having come due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Trustee or the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding may, by written notice to the Authority, the City and to the Trustee, on behalf of the Owners of all of the Outstanding Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

(d) Other Remedies. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or in equity, in addition to the remedy of acceleration, to enforce the payment of the principal of and interest on the Bonds, and to enforce any rights of the Trustee under or with respect to this Indenture. Such available remedies shall include the right to seek specific performance of the Authority's obligations hereunder.

If an Event of Default occurs and continues and if requested so to do by the Owners of a majority in aggregate principal amount of Outstanding Bonds and indemnified as provided in Section 8.07, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Article VII, as the Trustee, being advised by counsel, deems in the interests of the Bond Owners.

No remedy conferred upon or reserved to the Trustee (or to the Bond Owners) under this Indenture is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bond Owners under this Indenture or now or hereafter existing at law or in equity.

SECTION 7.02. Application of Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under this Indenture and all other funds then held by the Trustee hereunder shall be applied by the Trustee in the following order of priority:

First, to the payment of fees, charges and expenses of the Trustee (including fees and disbursements of its counsel and financial consultants) incurred in and about the performance of its powers and duties under this Indenture; and

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on such overdue amounts to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds, and if such moneys are insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts

SECTION 7.03. Power of Trustee to Control Proceedings. If the Trustee, upon the occurrence of an Event of Default, takes 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 Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Any suit, action or proceeding which any Owner of Bonds has the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated, and the Trustee is hereby appointed (and the successive respective Owners of the Bonds issued hereunder, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Trustee's counsel shall not be deemed under any circumstances to be counsel to the Owners. Communications between the Trustee and Trustee's counsel shall deemed confidential and privileged entitled to all protection under the law.

SECTION 7.04. Appointment of Receivers. Upon the occurrence of an Event of Default hereunder, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bond Owners under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Net Revenues and other amounts pledged hereunder, pending such proceedings, with such powers as the court making such appointment may confer.

SECTION 7.05. Non-Waiver. Nothing in this Article VII or in any other provision of this Indenture, or in the Bonds, shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as herein provided, out of the Net Revenues and other moneys herein pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Bond Owners shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner of any of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or Bond Owners by the Bond Law or by this Article VII may be enforced and exercised from time to time and as often as may be deemed expedient by the Trustee or the Bond Owners, as the case may be.

SECTION 7.06. Limitation on Rights and Remedies of Bond Owners. 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 Indenture unless all of the following conditions are met:

- (a) such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default;

(b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name;

(c) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding have tendered to the Trustee indemnity acceptable to the Trustee in its sole discretion against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee has refused or omitted to comply with such request for 60 days after such written request was received by, and said tender of indemnity was made to, the Trustee; and

(e) the Trustee has not received any inconsistent direction during such 60-day period from the Owners of a majority in aggregate principal amount of the Outstanding Bonds.

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 Bonds shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

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

SECTION 7.07. Termination of Proceedings. If the Trustee has proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings are discontinued or abandoned for any reason, or are determined adversely, then and in every such case, the Authority, the City, the Trustee and the Bond Owners shall be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

ARTICLE VIII

THE TRUSTEE

SECTION 8.01. Appointment of Trustee. The Bank of New York Mellon Trust Company, N.A., is hereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The Authority will maintain a Trustee which is qualified under the provisions of the foregoing provisions of this Article VIII so long as any Bonds are Outstanding.

SECTION 8.02. Acceptance of Trusts; Removal and Resignation of Trustee. The Trustee hereby accepts the express trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Indenture and no implied duties or covenants shall be read into this Indenture against the Trustee. After the occurrence and during the continuance of an Event of Default, the Trustee shall use the same degree of care and skill that a prudent person would use or exercise in the circumstances in the conduct of such prudent person's own affairs.

(b) The Authority may remove the Trustee at any time, unless an Event of Default has occurred and is then continuing, and shall remove the Trustee (a) if at any time requested to do so by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (b) if at any time the Trustee ceases to be eligible in accordance with Section 8.02, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Authority and the City, and by giving the Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee has been appointed and accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the Authority, upon its own direction or the direction of the retiring Trustee may, or the retiring Trustee may, petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture, must signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and after payment by the Authority of all unpaid fees and expenses of the predecessor Trustee, and thereupon such successor Trustee, without any further

act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein. At the Written Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall promptly mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency which is then rating the Bonds and to the Bond Owners at the addresses shown on the Registration Books. If the Authority fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

(e) Any Trustee appointed under this Indenture shall be a corporation or association organized and doing business under the laws of any state or the United States of America or the District of Columbia, shall be authorized under such laws to exercise corporate trust powers, shall have (or, in the case of a corporation or association that is a member of a bank holding company system, the related bank holding company has) a combined capital and surplus of at least \$50,000,000, and shall be subject to supervision or examination by a federal or state agency, so long as any Bonds are Outstanding. If such corporation or association publishes a report of condition at least annually under law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this subsection (e), the combined capital and surplus of such corporation or association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If the Trustee at any time ceases to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

SECTION 8.03. Merger or Consolidation. Any bank, federal savings association, or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank, federal savings association, or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, federal savings association, or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, federal savings association, or trust company shall be eligible under subsection (e) of Section 8.02 shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 8.04. Liability of Trustee.

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Authority, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Indenture or the Bonds, nor shall the Trustee incur any responsibility in respect thereof, other than as expressly

stated herein in connection with the respective duties or obligations of Trustee herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee is not liable for any error of judgment made by a responsible officer, unless it is proved that the Trustee was grossly negligent in ascertaining the pertinent facts.

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

(d) The Trustee is not liable for any action taken by it and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder, or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder unless and until a corporate trust officer receives written notice thereof at its Office from the City, the Authority or the Owners of at least 25% in aggregate principal amount of the Outstanding Bonds. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the Authority or the City of any of the terms, conditions, covenants or agreements herein, under the Bonds or of any of the documents executed in connection with the Bonds, or as to the existence of a default or an Event of Default or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default. The Trustee is not responsible for the validity, effectiveness or priority of any collateral given to or held by it.

(f) No provision of this Indenture requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents, receivers or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, receiver or attorney appointed with due care by it hereunder.

(h) The Trustee has no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of the Bond Owners under this Indenture, unless the such Owners have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities (including but not limited to fees and expenses of its attorneys) which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(i) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to the provisions of Section 8.02(a), this Section 8.04 and Section 8.05, and shall be applicable to the assignment of any rights to the Trustee hereunder.

(j) The Trustee is not accountable to anyone for the subsequent use or application of any moneys which are released or withdrawn in accordance with the provisions hereof.

(k) The Trustee makes no representation or warranty, expressed 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 for the use contemplated by the Authority or the City of the Wastewater Project. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from this Indenture for the existence, furnishing or use of the Wastewater Project.

(l) The Trustee has no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(m) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources or energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(n) The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture of Trustee sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that the instructions or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions or directions, and the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the Authority elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Authority agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

SECTION 8.05. Right to Rely on Documents. The Trustee shall be protected and shall incur no liability in acting or refraining from acting in reliance upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds, requisition, facsimile transmission, electronic mail or other paper or document believed by them to be genuine and to have been

signed or presented by the proper party or parties. The Trustee is under no duty to make any investigation or inquiry as to any statements contained or matter referred to in any paper or document but may accept and conclusively rely upon the same as conclusive evidence of the truth and accuracy of any such statement or matter and shall be fully protected in relying thereon. The Trustee may consult with counsel, who may be counsel of or to the Authority, 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 and in accordance therewith.

The Trustee may treat the Owners of the Bonds appearing in the Registration Books as the absolute owners of the Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee 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) may be deemed to be conclusively proved and established by a Written Certificate, Written Request or Written Requisition of the Authority or the City, and such Written Certificate, Written Request or Written Requisition shall be full warrant to the Trustee for any action taken or suffered under the provisions of this Indenture in reliance upon such Written Certificate, Written Request or Written Requisition, and the Trustee shall be fully protected in relying thereon, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

SECTION 8.06. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture shall be retained in its respective possession and in accordance with its retention policy then in effect and shall, upon reasonable notice to Trustee, be subject to the inspection of the Authority, the City, and any Bond Owner, and their agents and representatives duly authorized in writing, during business hours and under reasonable conditions as agreed to by the Trustee.

SECTION 8.07. Compensation and Indemnification. The Authority shall pay to the Trustee from time to time, on demand, the compensation for all services rendered under this Indenture and also all reasonable expenses, advances (including any interest on advances), charges, legal (including outside counsel and the allocated costs of internal attorneys) and consulting fees and other disbursements, incurred in and about the performance of its powers and duties under this Indenture.

The Authority shall indemnify the Trustee, its officers, directors, employees and agents against any cost, claim, damage, fine, penalty, loss, liability or expense whatsoever (including but not limited to fees and expenses of its attorneys) incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this trust and this Indenture, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder. As security for the performance of the obligations of the Authority under this Section 8.07, the Trustee shall have a lien prior to the lien of the Bonds upon all property and funds held or collected by the Trustee as such. The rights of the Trustee and the obligations of the Authority under this Section 8.07 shall survive the resignation or removal of the Trustee or the discharge of the Bonds and this Indenture. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

ARTICLE IX

MODIFICATION OR AMENDMENT HEREOF

SECTION 9.01. Amendments Permitted.

(a) Amendments With Bond Owner Consent. This Indenture and the rights and obligations of the Authority, the City, the Trustee and the Owners of the Bonds may be modified or amended from time to time and at any time by Supplemental Indenture, which the Authority and the Trustee may enter into when the written consents of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding are filed with the Trustee.

No such modification or amendment may

(i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or

(ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Net Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture except as permitted herein, or deprive the Owners of the Bonds of the lien created by this Indenture on the Net Revenues and other assets (except as expressly provided in this Indenture), without the consent of the Owners of all of the Bonds then Outstanding.

It is not necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it is sufficient if such consent approves the substance thereof.

(b) Amendments Without Owner Consent. This Indenture and the rights and obligations of the Authority, the City, the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority, the City and the Trustee may enter into without the consent of any Bond Owners if the Trustee has been furnished an opinion of counsel that the provisions of such Supplemental Indenture do not materially adversely affect the interests of the Owners of the Bonds, including, without limitation, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority or the City contained in this Indenture, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority or the City;

(ii) to cure any ambiguity, inconsistency or omission, or to cure or correct any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Authority or the City deems necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners, in the opinion of Bond Counsel filed with the Trustee;

(iii) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(iv) to modify, amend or supplement this Indenture in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code; or

(v) to modify any of the provisions of this Indenture in any other respect, provided that such modifications shall not have a material adverse effect on the interests of the Owners of the Bonds, in the opinion of Bond Counsel filed with the Trustee.

(c) Limitation. The Trustee is not obligated to enter into any Supplemental Indenture authorized by subsections (a) or (b) of this Section 9.01 which materially adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

(d) Bond Counsel Opinion Requirement. Prior to the Trustee entering into any Supplemental Indenture hereunder, the Authority shall deliver to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of this Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion from gross income for purposes of federal income taxes of interest on the Bonds.

(e) Notice of Amendments. The Authority shall deliver or cause to be delivered a draft of any Supplemental Indenture to each rating agency which then maintains a rating on the Bonds, at least 15 days prior to the effective date of such Supplemental Indenture under this Section 9.01.

SECTION 9.02. Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture under this Article IX, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Authority, the City, the Trustee, 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 such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 9.03. Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the execution of any Supplemental Indenture under this Article may, and if the Authority so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bonds.

If the Supplemental Indenture so provides, new Bonds so modified as to conform, in the opinion of the Authority, to any modification or amendment contained in such Supplemental

Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand on the Owners of any Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same maturity.

SECTION 9.04. Amendment of Particular Bonds. The provisions of this Article IX do not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

ARTICLE X

DEFEASANCE

SECTION 10.01. Discharge of Indenture. Any or all of the Outstanding Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable hereunder by the Authority:

- (a) by paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem such Bonds; or
- (c) by delivering to the Trustee, for cancellation by it, such Bonds.

If the Authority pays all outstanding Bonds as provided above and also pays or causes to be paid all other sums payable hereunder by the Authority, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and this Indenture), and notwithstanding that any of such Bonds have not been surrendered for payment, this Indenture and the pledge of the Net Revenues and other assets made under this Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Authority under this Indenture with respect to such Bonds shall cease, terminate, become void and be completely discharged and satisfied, subject to Section 10.02.

In such event, upon the Written Request of the Authority, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the City all moneys or securities or other property held by it under this Indenture which are not required for the payment or redemption of any of such Bonds not theretofore surrendered for such payment or redemption.

The Trustee is entitled to conclusively rely on any such Written Certificate or Written Request and, in each case, is fully protected in relying thereon.

SECTION 10.02. Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee is made for the giving of such notice, then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

The Authority may at any time surrender to the Trustee, for cancellation by Trustee, any Bonds previously issued and delivered, which the Authority may have acquired in any manner

whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

SECTION 10.03. Deposit of Money or Securities with Trustee. Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established under this Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds, premium, if any, and all unpaid interest thereon to the redemption date; or

(b) non-callable Defeasance Obligations, the principal of and interest on which when due will, in the written opinion of an Independent Accountant filed with the City, the Authority and the Trustee, provide money sufficient to pay the principal of and interest and premium (if any) on the Bonds to be paid or redeemed, as such principal, interest and premium become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee has been made for the giving of such notice;

provided, in each case, that (i) the Trustee has been irrevocably instructed (by the terms of this Indenture or by Written Request of the Authority) to apply such money to the payment of such principal, interest and premium (if any) with respect to such Bonds, and (ii) the Authority has delivered to the Trustee an opinion of Bond Counsel to the effect that such Bonds have been discharged in accordance with this Indenture (which opinion may rely upon and assume the accuracy of the Independent Accountant's opinion referred to above).

The Trustee shall be entitled to conclusively rely on such Written Request or opinion and shall be fully protected, in each case, in relying thereon.

SECTION 10.04. Unclaimed Funds. Notwithstanding any provisions of this Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for 2 years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Indenture), if such moneys were so held at such date, or 2 years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid, upon written request to do so, to the Authority free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the Authority as aforesaid, the Trustee shall (at the cost of the Authority) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

In the absence of any such written request, the Trustee shall from time to time deliver such unclaimed funds to or as directed by pertinent escheat authority, as identified by the Trustee in its sole discretion, pursuant to and in accordance with applicable unclaimed property laws, rules or regulations. Any such delivery shall be in accordance with the customary practices and procedures of the Trustee and the escheat authority. All moneys held by the Trustee and subject to this Section shall be held uninvested and without liability for interest thereon.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. Limitation of Rights to Parties and Bond Owners. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the City, the Trustee, and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture 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 Authority, the City, the Trustee, and the Owners of the Bonds.

SECTION 11.02. Funds and Accounts. Any fund or account required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the covenants contained in this Indenture and for the protection of the security of the Bonds and the rights of every Owner thereof. The Trustee may establish such funds and accounts as it deems necessary or appropriate to perform its obligations under this Indenture.

SECTION 11.03. Waiver of Notice; Requirement of Mailed Notice. Whenever in this Indenture 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 such 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. Whenever in this Indenture any notice is required to be given by mail, such requirement may be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

SECTION 11.04. Destruction of Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee, and the delivery to the Authority, of any Bonds, the Trustee may, in lieu of such cancellation and delivery, destroy such Bonds as may be allowed by law, and at the written request of the Authority the Trustee shall deliver a certificate of such destruction to the Authority.

SECTION 11.05. Severability of Invalid Provisions. If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority and the City hereby each declares that it would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

SECTION 11.06. Notices. All notices or communications to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its

address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission, email or other form of telecommunication or electronic communication, confirmed by telephone, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt; provided, however, that notice to the Trustee shall be deemed given only upon receipt by it. The Authority, the City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the City
or the Authority:

City of Santa Paula
Santa Paula Utility Authority
P. O. Box 569
Santa Paula, CA 93061
Attn: City Treasurer/Treasurer
Phone: 805-525-4478
Fax: _____
Email: _____

If to the Trustee:

The Bank of New York Mellon Trust Company, N.A.
700 South Flower Street, Suite 500
Los Angeles, California 90017
Attention: Corporate Trust
Phone: _____
Fax: _____
Email: _____

SECTION 11.07. Evidence of Rights of Bond Owners. Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and the Authority if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

SECTION 11.08. Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request,

direction, consent or waiver under this Indenture, Bonds which are actually known by the Trustee to be owned or held by or for the account of the Authority or the City, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination unless all the Bonds are so owned or held, in which case all such Bonds shall be deemed Outstanding. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City or any other obligor on the Bonds. In case of a dispute as to such right, the Trustee shall be entitled to rely upon the advice of counsel in any decision by Trustee and shall be fully protected in relying thereon.

Upon request, the Authority shall specify to the Trustee those Bonds disqualified under this Section.

SECTION 11.09. Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, premium, if any, or principal due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, *subject, however*, to the provisions of Section 10.04 but without any liability for interest thereon.

SECTION 11.10. Waiver of Personal Liability. No member, officer, agent or employee of the Authority or the City shall be individually or personally liable for the payment of the principal of or interest or premium (if any) on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

SECTION 11.11. Successor Is Deemed Included in All References to Predecessor. Whenever in this Indenture either the Authority, the City or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Authority, the City or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 11.12. Execution in Several Counterparts. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority, the City and the Trustee preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 11.13. Payment on Non-Business Day. In the event any payment is required to be made hereunder on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and with the same effect as if made on such preceding non-Business Day.

SECTION 11.14. Governing Law. This Indenture shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the Santa Paula Utility Authority has caused this Indenture to be signed in its name by its Chairperson and attested to by its Secretary, the City of Santa Paula has caused this Indenture to be signed in its name by its Mayor and attested to by its City Clerk, and The Bank of New York Mellon Trust Company, N.A., in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

SANTA PAULA UTILITY AUTHORITY

By _____
Chairperson

ATTEST:

By _____
Secretary

CITY OF SANTA PAULA

By _____
Mayor

ATTEST:

By _____
City Clerk

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

By _____
Authorized Officer

APPENDIX A

BOND FORM

NO. R-_____

\$_____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

**SANTA PAULA UTILITY AUTHORITY
WASTEWATER ENTERPRISE REVENUE BONDS, 2015 SERIES**

INTEREST RATE: _____% MATURITY DATE: February 1, 20____
ORIGINAL ISSUE DATE: _____, 2015 CUSIP:

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: *** ***

The SANTA PAULA UTILITY AUTHORITY, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond unless (i) this Bond is authenticated on or before an Interest Payment Date and after the close of business on the 15th day of the month preceding such interest payment date, in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before July 15, 2015, in which event it shall bear interest from the Original Issue Date specified above; *provided, however*, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond, at the Interest Rate per annum specified above, payable semiannually on February 1 and August 1 in each year, commencing August 1, 2015 (the "Interest Payment Dates"), calculated on the basis of a 360-day year composed of twelve 30-day months.

Principal hereof and premium, if any, upon early redemption hereof are payable upon presentation and surrender hereof at the designated corporate trust office of THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (the "Trust Office"), as trustee (the "Trustee"). Interest hereon is payable by check mailed to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the 15th day of the month preceding each Interest Payment Date (a "Record Date"), or, upon written request filed with the Trustee as of such Record Date by a registered owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in

immediately available funds to an account in the United States designated by such registered owner in such written request.

This Bond is not a debt of the City of Santa Paula (the "City"), the County of Ventura, the State of California, or any of its political subdivisions, and neither the City, the County, the State, nor any of its political subdivisions, is liable hereon, nor in any event shall this Bond be payable out of any funds or properties of the Authority other than the Revenues.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the "Santa Paula Utility Authority Wastewater Enterprise Revenue Bonds, 2015 Series" (the "Bonds"), in an aggregate principal amount of \$ _____, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions) and all issued under Articles 4 of Chapter 5, Division 7, Title 1 of the California Government Code, commencing with Section 6584 of said Code, and under an Indenture of Trust dated as of _____ 1, 2015 (the "Indenture"), among the Authority, the City and the Trustee, and a resolution of the Authority adopted on _____, 2015, authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Authority to finance certain improvements to the City's facilities and property for the collection, treatment and disposal of wastewater within its service area (the "Enterprise"). This Bond and the interest and premium, if any, hereon are special obligations of the Authority, payable from and secured by a charge and lien on the Net Revenues of the Enterprise as defined in the Indenture. As and to the extent set forth in the Indenture, all of the Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on the Bonds.

The rights and obligations of the Authority and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each Bond so affected.

The Bonds maturing on or before February 1, 20____, are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after February 1, 20____, are subject to redemption in whole, or in part among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after February 1, 20____, from any available source of funds, at a redemption price equal the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

The Bonds maturing February 1, 20____ (the "Term Bonds") are also subject to redemption in whole, or in part by lot, on February 1 in each of the years as set forth in the following table, from deposits made for such purpose pursuant to the Indenture, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest

thereon to the redemption date, without premium (or in lieu thereof may be purchased pursuant to the Indenture).

Term Bonds Maturing February 1, 20____

Sinking Fund
Redemption Date
(February 1)

Principal
Amount To Be
Redeemed

20____ (Maturity)

However, if some but not all of the Term Bonds have been redeemed pursuant to the optional redemption provisions described above, the total amount of all future payments with respect to such Term Bonds shall be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of \$5,000 as determined by the Authority (written notice of which determination shall be given by the Authority to the Trustee).

As provided in the Indenture, notice of redemption will be mailed by the Trustee by first class mail not less than 30 nor more than 60 days prior to the redemption date to the respective owners of any Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption.

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

This Bond is transferable by the Registered Owner hereof, 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 Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. This Bond may be exchanged at the Trust Office for Bonds of the same tenor, aggregate principal amount, interest rate and maturity, of other authorized denominations.

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

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the Authority or the Trustee for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as requested by

an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

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

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the Santa Paula Utility Authority has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Chairperson and attested to by the facsimile signature of its Secretary, all as of the Original Issue Date specified above.

SANTA PAULA UTILITY AUTHORITY

By _____
Chairperson

Attest:

Secretary

CERTIFICATE OF AUTHENTICATION

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

Dated: _____, 2015

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

By _____
Authorized Signatory

ASSIGNMENT

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

Dated: _____

Signature Guaranteed:

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

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.

MEMORANDUM

To: Honorable Mayor and Members of the City Council

From: Elisabeth V. Paniagua, Assistant to the City Manager

Subject: Discussion and Possible Action to Allocate Funding for the Do-It-Better-By Suggestion (DIBBS) Program from the Fiscal Year 2015-2016 Budget

Date: March 30, 2015

Recommendation: It is recommended that the City Council: 1) direct the City Manager to allocate funding from the FY 2015-16 Budget to fund the Do-It-Better-By Suggestion (DIBBS) Program; and 2) take such additional, related action as may be desirable.

Fiscal Impacts: It is anticipated that program costs will not exceed approximately \$6,000 annually.

General Discussion: In 2010, the City Manager's office implemented the Do-It-Better-By Suggestion (DIBBS) Program as directed by City Council. (Attachment A).

The intent behind the DIBBS Program is to accept and evaluate employee suggestions for improvements at City Hall and elsewhere in the Community. Employees can submit ideas for improving operations, customer service, cost efficiency or improved safety. Employees have been provided the opportunity to make confidential suggestions on an ongoing basis through suggestions boxes and email. Suggestions that are selected are recognized by gift card awards to local businesses.

As a result of limited budget funding, the DIBBS Program was not able to be expanded to include increased incentives and has had minimal participation by employees.

Staff requests that the City Council direct the City Manager to allocate funding in FY 15-16 for the expansion of the DIBBS program. In order to expand the program and more effectively provide employees with opportunities to make suggestions and increase participation, staff has created the attached administrative policies that outline program procedures and incentives to employees. The attached draft policies will further encourage employees to make suggestions for improving operations, customer service and costs efficiency.

For the City Council Meeting of April 6, 2015

Alternatives:

- A. Direct the City Manager
- B. Deny
- C. Provide further direction

Attachments:

- 1. Staff report April 2010
- 2. Draft DIBBS Program Policies and Procedures

For the City Council Meeting of April 19, 2010

MEMORANDUM

To: Honorable Mayor and Members of the City Council

From: Elisabeth V. Amador, Assistant to the City Manager

Subject: Report on the Creation of a Do-It- Better-By Suggestion (DIBBS) Program

Date: April 7, 2010

Recommendation: It is recommended that the City Council 1) Receive the Report; and 2) Direct staff to create a Do-It- Better-By Suggestion (DIBBS) Program.

Fiscal Impacts: None

General Discussion: As a result of the ongoing budget difficulties that many local governments continue to face in the State of California, staff continues to explore creative options to improve City operations while reducing costs efficiency.

The County of San Diego has been very successful in implementing employee generated ideas through the Do-It- Better-By Suggestion (DIBBS) Program. Since its inception in the County of San Diego, the DIBBS Program has saved the County over \$30 million. The purpose of the DIBBS Program is to accept and evaluate employee suggestions for improvements. Employees can submit ideas for improving operations, customer service, cost efficiency or improved safety.

The City of Santa Paula currently has a General Safety Committee comprised of city staff who meets monthly to review and implement workplace safety suggestions submitted by other employees. Employees are provided the opportunity to make confidential suggestions on an ongoing basis through suggestions boxes, email and voicemail. Suggestions that are selected by the Committee are recognized by gift card awards to local businesses.

It is staff's recommendation that the City Council direct staff to create and implement a City of Santa Paula DIBBS Program to provide employees the opportunity to make suggestions for improving operations, customer service and costs efficiency. The Program would be administered by the Administration Department and use the existing General Safety suggestion tools to receive confidential employee suggestions. The City's Management team would serve as the DIBBS Committee to evaluate and select suggestions that have the potential for successful implementation leading to cost savings. Successful suggestions that are selected would be recognized by gift card awards to local businesses.

Alternatives:

- A. Direct Staff
- B. Provide further direction

CITY OF SANTA PAULA

ADMINISTRATIVE POLICIES AND PROCEDURES

APP NO.:

DO IT BETTER BY SUGGESTIONS (DIBBS) PROGRAM GUIDELINES

I. Purpose

This Administrative Policy and Procedure (“AP&P”) is adopted for the purpose of implementing and expanding the City of Santa Paula (City) Do-It- Better-By Suggestion (DIBBS) Program as adopted by Resolution No. 6924 on April 6, 2015. The City established the Do-It- Better-By Suggestion Program (the “Program”) to accept and evaluate employee suggestions for organizational improvements.

II. Applicability

This AP&P applies to all employee suggestions as described in Section V.

III. Definitions

Unless the contrary is stated or clearly appears from the context, the following definitions govern the construction of the words and phrases used in this AP&P.

“*Award*” means at a minimum of a \$50 up to a maximum of \$1,000.00.

“*City*” means collectively, the City of Santa Paula.

“*DIBBS Committee*” means the Executive Management team.

“*Employee*” means the any person employed as a regular part-time or full-time, and temporary status.

IV. Overview

This program is intended to accept and evaluate employee suggestions for improving operations, customer service and costs efficiency. The program is administered by the DIBBS Committee and assigned staff from the City Manager’s office. Compensation awards for suggestions shall be provided as authorized in Section VII.

V. Eligibility of Suggestions

Except for the following, the DIBBS Program is available to all employees:

- Elected or Appointed Members of any Board or Committee.

CITY OF SANTA PAULA

ADMINISTRATIVE POLICIES AND PROCEDURES

APP NO.:

- The staff assigned to administer the DIBBS Program.
- Employees whose suggestion is found by the department head and the Human Resources Manager to be within the scope of the normal duties and responsibilities of his/her position;
- Employees whose suggestion is part of a specific assignment which includes problem identification, analysis and/or solution.

VI. Method of Making Suggestions

Employees can make suggestions by email or writing to the City Manager's Office. Suggestions will be reviewed quarterly during March, June, September, December and any successful suggestions will be announced the month following successful selection.

VII. Method of Award Calculation

Program awards will be based on net savings. Upon finding that a net savings accrues to the City through adopting and placing a suggestion into operation, the following awards will apply:

1. **Tangible Savings Award**
The award shall be ten percent (10%) of the first year's estimated net savings, up to a savings of \$10,000, with a minimum award of \$50 and a maximum award of \$1,000 per suggestion.
2. **Productivity Savings Award**
The award shall be five percent (5%) of the first year's estimated net savings, with a minimum award of \$25 and a maximum award of \$500 per suggestion.
3. **Savings Difficult to Compute**
Upon finding that a net savings will accrue to the City through adoption and placing the suggestion into operation, and also finding that there is unusual difficulty in computing such net savings, the Committee may order that the employee be paid a preliminary award up to a maximum of \$50. The operation of the suggestion will be re-evaluated after it has been in operation not to exceed twelve months. If, after re-evaluation and re-estimation of the first year's net savings, it is found that a larger award than the preliminary award should be paid to the employee, the Committee shall order that the employee be paid an additional award as defined in applicable sections above.

**CITY OF SANTA PAULA
MEMORANDUM**

To: Honorable Mayor and Members of the City Council
From: Jaime M. Fontes, City Manager
Subject: Discussion and Possible Action Regarding the Limoneira Police Grant
Date: April 2, 2015

Recommendation: It is recommended that the City Council 1) authorize the City Manager to execute the attached agreement that memorializes the Limoneira Police Grant; and 2) take such additional, related action that may be desirable.

Fiscal Impacts: The grant plus the City matching funds will total \$500,000 on an annual basis. The City's matching portion for the three years will be funded from the General Fund.

Personnel Impacts: The City previously approved the hiring of two additional police officers on May 19, 2014.

General Discussion: On March 16, 2015, the City Council adopted Ordinance No. 1255. The Council's adoption of Ordinance No. 1255 resulted in the approval of the First Amended and Restated Development Agreement with Limoneira Company, which governs the development of Limoneira's East Area I Project. Section 3.6 of the Development Agreement requires Limoneira to, in addition to paying \$4 million for a public safety facility, make three annual payments of \$250,000 to be used by the City for police services. During the Council's consideration of this item on March 16, the Council requested additional information on the intent of the police grant and the appropriate uses of the grant funds.

1. The November 18, 2013 Action - The Intent of the Police Grant

The City Council considered the acceptance of the "Police Grant" on November 18, 2013. At the time of the Council's consideration of the item, two interrelated factors were driving the discussion. First, there were several gang-related homicides in Santa Paula that occurred in quick succession. The Department's resources were seen as insufficient to prevent and respond to the events. Second, the Department lost six experienced sworn officers to other departments. Exit interviews revealed with these officers revealed that they were leaving for other departments due to the higher salaries

For the Regular City Council Meeting of March 16, 2015

offered by these departments. The police grant was viewed as a way to hire additional officers and retain the Department's experienced officers in order to enhance police services for the betterment of its East Area I Project and the City as a whole. City staff summarized that intent as providing an opportunity to finance 2 to 3 additional officers and their equipment for a three year period.

At the conclusion of the hearing, the City Council accepted the grant and authorized the City to match Limoneira's contribution with \$250,000 of its own resources to create a segregated pool of resources. At the end of the three-year period, it was understood that continuation of the additional staffing level would be the sole responsibility of the City. A summary of the hearing follows.

a. Staff's Presentation

Chief McLean presented the item to the Council by noting first that the Department had lost nine officers due to pay and benefits concerns. Chief McLean also noted the Department's current staff level was 28 officers, but stated that the Department should be staff with at least 30 officers. According to Chief McLean, the grant is an opportunity to hire "extra bodies" and continue to develop gang enforcement team and narcotics units.

City Manager Fontes stated that the grant was offered in anticipation of the East Area I development, with the intent "being to encourage good and more than adequate public safety" – the belief being that it will spur continued investment in EA1 and the sale of new homes. Mr. Fontes noted that the perception of crime is the number one problem in the desirability of Santa Paula and that the grant will go a long way towards improving that perception.

While noting that he and Chief McLean would come back with a plan on for how the grant funds would specifically be used, the caveat was that it be used for police services, i.e., to "hire, retain, and give competitive wages and equipment for police" – not just for salaries, however, as salaries and equipment would be a more judicious use of funds and reduce the chances of fatigue and overtime in the Department's 28 current officers. According to Mr. Fontes, he requested that the grant and matching funds be structured to get a combination of more officers, fairer pay, and the right amount of equipment to go with every new officer in order to create a safer community and lower the crime rate.

Eight members of the public spoke in favor of the accepting the grant. No members of the public spoke in opposition.

b. The Council's Deliberation

Councilmember Hernandez supported the grant concept but requested additional study and information regarding the City's commitments in perpetuity before accepting

For the Regular City Council Meeting of March 16, 2015

matching money. He requested information on the City's ability to fund the matching portion of the grant on a going forward basis.

Councilmember Fernandez also recognized the need for additional officers and a pay scale commensurate with other cities in the County, but noted other priorities, including parks and recreation (soccer fields, etc.) facilities as well. Noting it was a trade-off, he expressed support for the motion.

Councilmember Gonzales supported acceptance of the grant. He expressed to Chief McLean the need to pursue other grant opportunities in order to reach the ideal staffing number of 47 police officers at the Department.

Councilmember Cook also expressed concern about low pay for officers, but also questioned how the City will account for future pay raises after the \$250,000 grants and match end. He stated that he was worried that the City will have to lay off officers in three years' time when money runs out.

Councilmember Tovias, who initially proposed the grant, stated that "when someone offers you a quarter-million dollars a year for the next three years, you take it." Councilmember Tovias stated that proceeds from the sale of the former treatment plant could be used to fund the City's match.

c. The Council's Action

Councilmember Tovias then moved the item by making the following motion:

"I'm gonna make a motion that we accept the \$250,000 matching grant offer from Limoneira for the next three years; direct the City Manager and the Finance Director to set aside a matching \$250,000 dollars from the General Fund resources to match the grant for the next three years; direct the city Finance Director to segregate the funds received and account for the expenses in a designated account; and direct the Finance Director to provide the Council with an annual report of expenses of the funds used... or, add this on there... as the Council may request. So I'm making that motion, and... that's all I got to say about that."

The motion passed unanimously.

2. Use of Grant Funds

After approval of the police grant, the prior Council approved a spending plan for the grant and matching funds. The spending involved the following:

Salaries for sworn officers:	\$ 573,982
Hiring two new officer, with associated hiring and equipment costs:	\$ 690,869
Vehicles and other necessary police equipment:	<u>\$ 235,149</u>
	\$1,500,000

For the Regular City Council Meeting of March 16, 2015

In reliance on the grant and the approved spending plan, the City committed funds to the following budget items:

4% increase for sworn officers approved with budget adjustments through 3/27/15 payroll and estimated through June 30 th	\$137,514
Officer hired in Grant funded position as of 3/27/15 (expended)	\$ 10,721
Officer awaiting start of Academy 4/6/15-Estimate through 6/30	\$ 25,000
Vehicle purchase (expended)	\$ 55,000
	<u>\$228,235</u>

3. Recommended Action

Based on a review of the Council's prior action to approve the grant and matching contribution, and based on communications with Limoneira (both recent and contemporaneous with the Council approval) it is clear that the intended use of the grant funds was to hire and equip additional officers and retain the experienced officers currently within the Department. We have again attached a letter agreement that ratifies the terms approved by the prior Council for use of the police grant funds. Notably, the agreement requires Limoneira to fund the grant, requires the City to match the grant funds, and commits the money for use to recruit, retain and equip police officers.

The Council has authority to negotiate a change to the intended uses of the grant funds. However, such an action requires the approval of the Council and the assent of Limoneira.

Alternatives:

- A. Approve the recommended action;
- B. Deny the recommended action.

Attachment(s): Letter Agreement

March 9, 2015

Harold S. Edwards, President
Limoneira Company
1141 Cummings Road
Santa Paula, CA 93060

**Re: *Use of Development Impact Funds for Police Services
as Specified in Section 3.6 of the First Amended and
Restated Development Agreement for the East Area 1
Specific Plan Amendment Project***

Dear Mr. Edwards:

This letter is written relative to the First Amended and Restated Development Agreement for the East Area Specific Plan Amendment project and, specifically, confirms our understanding with respect to the use of the \$750,000 additional funds provided in Section 3.6 of the Agreement, entitled Public Safety Facility.

Section 3.6 requires Limoneira to construct and offer to dedicate a 1.5-acre site to house a public safety facility. Section 3.6 states that the construction, equipping and operating of the Public Safety Facility cannot cost Developer more than \$4,750,000, of which "includes three payments to the City of \$250,000, made of the first, second and third anniversaries of the effective date of this Agreement."

As you know, \$750,000 (to be paid in three annual payments) of the \$4.75 million reflects a police grant offered by Limoneira to enhance citywide police services for the betterment of the proposed East Area developments and the City as a whole. The City, in turn, must match those resources with \$250,000 of its own resources to create a segregated pool of resources to be used to recruit, retain and equip police officers. At the time Limoneira offered and the City accepted the grant funds, it was the intent of both Limoneira and the City that the grant funds, including the City's matching contribution, would be committed solely to recruit, retain and equip police officers.

If the above comports with your understanding, please sign where indicated below.
Thank you for your continued commitment to the City of Santa Paula.

Very truly yours,

John T. Procter, Mayor
City of Santa Paula

Agreed and Acknowledged:

Harold S. Edwards, President
Limoneira Company

**CITY OF SANTA PAULA
MEMORANDUM**

To: Honorable Mayor and Members of the City Council
From: Mike Sedell, Goal Setting Facilitator, Jaime M. Fontes, City Manager
Subject: Goal Setting and Budget Planning Update
Date: March 31, 2015

Recommendation: It is recommended that City Council 1) receive and file the oral presentation, 2) direct the City Manager to incorporate any recommendations into the 2015/16 budget process, and (3) take such additional, related action that may be desirable.

Fiscal Impacts: None

Personnel Impacts: None

General Discussion: On February 2, 2015 Mike Sedell was selected to facilitate City Goal Setting sessions. To that end, thus far Mr. Sedell has confidentially met with more than twenty individuals who are familiar with the City and City operations, including the entire City Council, various members of City Staff including management and labor represented employees, members of the business community, and community citizen leaders. While these meetings continue, Mr. Sedell felt it important to communicate with the City Council to keep the Council informed of the process.

While the specific structure of the goal setting process will be dependent on the overall input from this knowledge gathering process, there is also a process that has started, and will move on a concurrent and connected path in response to City Council concerns, for a fiscal review of City finances. Mr. Frank Catania, a retired Assistant City Manager of Simi Valley, is working with Santa Paula staff to review the fiscal status of the City for the City Manager and City Council, and will also be presenting a public report to the Council at the conclusion of this review as well as an opportunity to answer any questions about that review that the City Council may have.

At this point in Mr. Sedell's knowledge gathering, it appears that there are several broad categories that are becoming apparent for the City Council to focus within for a goal setting process. The specifics of the goals within each of those broad areas, including what the goals are, their order of importance, and their prioritization, will ultimately be what the City Council will decide through a facilitated process with Mr. Sedell.

For the Regular City Council Meeting of April 6, 2015

Mr. Sedell will be present at the April 6, 2015 City Council meeting to present a more detailed update and will be available to answer any questions that the City Council may have.

Alternatives:

- A. It is recommended that City Council 1) receive and file the oral presentation, 2) direct the City Manager to incorporate any recommendations in the 2015/16 budget process,
- B. Take such additional, related action that may be desirable.

Attachment(s): Proposed Goal Setting and Budget planning Format

CITY OF SANTA PAULA
FINANCE DEPARTMENT
BUDGET CALENDAR
FISCAL YEAR 2015-16

Distribute FY 2015-16 Budget Calendar	March 11th
Distribute FY 2015-16 Budget Worksheets/Package	March 13 th -18th
Budget Worksheets Due to Finance	April 1st
Council Budget Planning Workshop (Facilitated by Mike Sedell)	April 6th
FY 2015-16 Budget Review with City Manager & Depts.	April 20 th -22nd
Complete First Draft of FY 2015-16 Budget (Finance)	April 27th
Review of First Draft by City Manager	April 30th
Complete Final Draft of FY 2015-16 Budget	May 8th
Review of Final Draft by City Manager	May 11th
Budget Distributed to City Council	May 18th
Budget Study Session with City Council	June 1st
Public Hearing & Adopt FY 2015-16 Budget	June 15 th

The aforementioned schedule is subject to change but the budget should be adopted by June 30th.